

103
DEFENSE ECONOMIC CONVERSION

(103-11)

Y 4.P 96/11:103-11

Defense Economic Conversion (103-11... **L R I N G**

BEFORE THE
SUBCOMMITTEE ON
ECONOMIC DEVELOPMENT
OF THE
COMMITTEE ON
PUBLIC WORKS AND TRANSPORTATION
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRD CONGRESS

FIRST SESSION

APRIL 1, 1993

Printed for the use of the
Committee on Public Works and Transportation



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DEFENSE ECONOMIC CONVERSION

THURSDAY, APRIL 1, 1993

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT,
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:30 p.m. in room 2325, Rayburn House Office Building, Hon. Bob Wise (chairman of the subcommittee) presiding.

Mr. WISE. This hearing on the Economic Development Subcommittee of the Committee on Public Works and Transportation will come to order.

The testimony today will deal with defense economic conversion. I'm delighted to be joined by our full committee chair, Mr. Mineta, of course, our ranking member, Ms. Molinari, as well as other members of the subcommittee in this very timely hearing.

Today the subcommittee meets to learn about the activities and the initiatives currently available or in the planning stages to help communities cope with job losses and other economic problems related to the closing of military facilities and the cutback of defense contracts.

With the end of the Cold War and other worldwide political changes, we're now in the throes of extensive downsizing of our defense establishment, and it's a painful process for many—far more extensive than we have seen in many, many years.

As a result, many local areas, industries, and workers are confronted with a whole new set of circumstances and must deal with harsh realities in the reshaping of military related economies to more diversified civilian related resources. In the long run, this could be beneficial to affected communities, but during the period of transition there will be many difficulties to overcome.

Our Nation faces many additional challenges and new challenges as we strive to be economically strong and globally competitive—not the least of which is determining the best way to provide financial assistance for the adjustment process. However, local areas impacted by defense cuts have the major role for initiating and carrying out strategies to convert military bases to civilian use and for diversifying their economies and generating job opportunities.

The focus of our hearing is on interagency cooperation to support community efforts and the use of funds transferred from the Defense Department's Office of Economic Adjustment, OEA, to the Economic Development Administration, EDA, and the Department of Commerce. Fifty million dollars was transferred to EDA under the Department of Defense appropriation for fiscal year 1991. An-

other \$80 million was provided under the Defense appropriation for fiscal year 1993 and has recently been transferred to EDA.

I want to welcome our witnesses, Mr. Robert J. Stein, Chief of Staff in the Office of Secretary of Commerce Brown, and Mr. Paul J. Dempsey, Director, Office of Economic Adjustment at the Department of Defense, who will address these matters.

Both the Department of Defense and EDA have long histories of involvement in assisting communities facing this kind of economic dislocation. The scope of the assistance provided has grown since 1961 when the Defense Department's Office of Economic Adjustment was first established. Later in 1974, the President's Economic Adjustment Committee, or EAC, was created and was composed of several federal departments and agencies with EDA representing the Department of Commerce. Considerable expertise has been developed over the years as the EAC working with local and State groups has helped communities help themselves.

We look forward to hearing about EDA's policies and procedures to implement Title IX Special Economic Development and Adjustment Assistance and other EDA programs that can be utilized. I would ask one favor of members of the subcommittee. I would like to keep this to economic conversion. EDA will be up for reauthorization before this subcommittee. We'll have a number of other hearings scheduled, but to the extent possible, if we could focus on the economic conversion coming out of the defense closings, I think that's very, very important. And, certainly, it's timely I know to many of the members of this subcommittee who are facing serious challenges in their own districts, and that's why we wanted to get this hearing started as soon as possible.

I've asked Mr. Dempsey to join Mr. Stein at the table because it seems to me that it's a good idea to have both DOD (OEA) and EDA present.

At this time, I turn to the ranking minority member, Ms. Molinari, for any opening remarks.

Ms. MOLINARI. Thank you very much, and I want to commend the chairman for calling this oversight hearing today.

The coordination of efforts to assist communities affected by base closings, though mine will not be one, must be addressed before we complete yet another round of base closings.

When a community loses a military installation, they lose more than just an economic benefactor. We also lose good neighbors. The double hit on even the strongest communities can have an adverse impact from which it is oftentimes—too often—difficult to recover.

I recently introduced H.R. 1294 to help address this problem by making job retention and job creation the priority use of the facilities sighted for closure or major realignment. By declaring these facilities enterprise zones and redevelopment areas under the Public Work and Economic Development Act of 1965, we will immediately make the impacted communities eligible to apply for resources available through the EDA.

I believe by taking this step to eliminate uncertainty, we will accelerate the response time and better help communities adjust to a life without a military facility.

As I've intimated, I have a base in my district that I'm hopeful we will be able to remove from the base closure list. Yet, there will

be communities that need the assistance available under OEA and EDA. If the Clinton administration continues with their plans to slash our Nation's defenses, it must maintain its industrial base to ensure military readiness. We also cannot abandon the communities that have supported our military installations, sometimes for generations. Proper funding and coordination of these programs operated by EDA and OEA will help address both these needs.

Thank you, Mr. Chairman, for calling us together today so we can hear how the agencies before us plan to work together to address the needs of affected communities.

I thank you and I look forward to hearing from our witnesses today and thank them for being with us.

Mr. WISE. I appreciate the ranking member's remarks, and now turn to the full committee chairman, Mr. Mineta.

The CHAIR. Thank you very much, Mr. Chairman.

I want to commend you for your foresight in convening this hearing and for your efforts in pulling this together, and I wish to also thank representative Molinari in her position as ranking Republican of this subcommittee in her help on pulling this hearing together.

The Cold War is over, threat has changed, and we like everyone else must adjust. In the last decade as military spending more than doubled from \$135 billion in 1980 to close to \$300 billion in 1990, our defense industry grew and flourished.

During the same time federal funding for civilian research and development remained relatively flat at about \$15 billion per year. One of the greatest challenges facing the United States is to make conversion a reality so that our companies can compete and win and Americans can continue to enjoy the best standard of living in the world.

I believe that conversion of the military industrial complex is an achievable goal. By looking at previous successes and helping communities plan in advance, we can increase their chances of not only surviving, but of also expanding their economic base. We have a defense policy; what we need is a civilian policy, and we need to be proactive. We need a plan to move labor from defense business to commercial business. Workers in most industries will always be affected by periodic fluctuations in the job market. Workers in the defense industry will be affected by a unilateral government decision. We know in advance what the effect will be. We can either help them convert on the front end through education, training, and placement, or we can pay more on the tail end with health care, welfare, and long-term unemployment.

So we have an opportunity to take advantage of these talents, to take these displaced workers and put them to work on public works projects rebuilding America's infrastructure, to put them to work in commercial industry rebuilding America's competitiveness, and to put them to work improving our trade balance.

So I look forward to hearing the testimony of today's witnesses. Their insight will be very useful as the committee reviews legislative options and solutions, and again I would like to thank Chairman Wise and Representative Molinari for their efforts on this cause.

Thank you very much.

Mr. WISE. I thank the full committee chair for his encouragement to move forward with these hearings.

I now recognize Ms Molinari.

Ms. MOLINARI. Thank you. I have a statement for the record from Mr. Shuster, Ranking Member of the Committee, for inclusion in the record.

Mr. WISE. Without objection, so ordered.

[Mr. Shuster's prepared statement follows:]

STATEMENT OF THE HONORABLE BUD SHUSTER

I want to congratulate the leadership of this subcommittee for putting together and holding this hearing today. With the present and future cutbacks in Department of Defense spending, as well as the ongoing base closure and realignment process, the topic of your hearing is both important and timely.

The Office of Technology assessment has estimated that, in the ten years between 1991 and 2001, cutbacks in defense spending will result in the loss of two and one-half million jobs. While this is the aggregate number of job losses, the negative economic effect will be concentrated in those communities which are dependent on defense spending and employment.

Many labor market areas will see major sources of employment eliminated by the base closure process. It is these areas, where military employment has been relied on for years, that are devastated by the realignments and closures. The primary effects are, of course, on those left unemployed but the entire community suffers. Often the local tax base is devastated, disposable income is slashed and the economic future of the area is left in doubt.

Often the effects are statewide. In Pennsylvania, for instance, 3 percent of our total employment is defense related and that employment is concentrated in only a few areas of the state.

These actions cause a fundamental shift in our economies, leaving a need for swift action to define the future of the economy and to preserve any hope of long-term stability. I feel the importance of this program can not be understated. The planning and economic adjustment assistance provided can be the critical factor in the future vitality of the affected regions. In our roles in formulating these programs, we must make certain that the funding is effective. We need to make sure that both the Economic Development Administration (EDA) and the Department of Defense are set to provide not just assistance, but effective assistance.

The Economic Development Administration (EDA) is at the forefront of helping communities adjust to the economic dislocations caused by defense cutbacks and the base closure process. In February 1992, the Department of Defense transferred \$50 million to the EDA to assist communities under EDA's Title IX Economic Adjustment Program. The Fiscal Year 1993 Defense Appropriations bill provided another \$80 million for the EDA which has recently been transferred to the agency.

The EDA has wide-ranging authority to provide comprehensive assistance to communities affected by defense cutbacks. Under grants already awarded, the EDA has funded proposals to: establish revolving loan funds to help small businesses reduce defense dependency; invest in physical infrastructure to enhance economic development opportunities; develop business incubator and training programs; and establish community strategies to deal with the cutbacks.

This hearing will examine issues related to the actual transfer of appropriated funds between the Department of Defense and EDA, as well as each agency's respective role and the level of coordination. I also look forward to the testimony on how the process of providing assistance to communities could be streamlined and made more efficient.

I am proud of the leadership role the Public Works Committee and its Economic Development Subcommittee has taken in regard to these defense conversion programs. It is absolutely critical that the government have a coordinated, effective plan to assist the many communities affected by the drawdown in defense spending.

Mr. WISE. I now recognize the gentleman from New York, Mr. Boehlert, for any opening remarks he might wish to make.

Mr. BOEHLERT. I'll be very brief, Mr. Chairman. I just want everyone to know that in the spirit of bipartisanship when the President had his State of the Union message, I was one who stood and

applauded when he said, "No recovery is worth its weight in salt that doesn't get America back to work."

That's his quote, and I applaud it, and I want to work cooperatively with the administration to accomplish that objective. And I'm very much looking forward today to the testimony we're going to have from our witnesses. I recognize that you're somewhat handicapped because we're in the early days of a new administration, and I take that into consideration. But I hope we can accelerate the pace as we go about the very daunting task of economic recovery.

I thank you, Mr. Chairman, for conducting these hearings, and I want you to know I want Ms. Molinari to keep her base. [Laughter.]

I thank the gentleman.

The gentleman from South Carolina, Mr. Clyburn.

Mr. CLYBURN. Thank you, Mr. Chairman.

I am pleased to participate this afternoon as we hear from officials at the Department of Commerce and the Department of Defense regarding policies and procedures for Title IX funding.

As you know, the Secretary of Defense has recommended the closure of the Charleston Naval Base and Shipyard and other naval facilities affecting over 17,443 jobs in or near my congressional district. Nearly all of these affected live in the counties of Charleston, Berkeley, and Dorchester, where I have the privilege of representing over 117,500 residents.

The direct economic impact of this proposed closure is estimated to be over \$1 billion to the people in or near my congressional district, and an estimated indirect economic impact of around \$3 billion.

The 17,443 jobs, which would be lost by this action, represent 21.4 percent of all jobs affected throughout the nation by this round of base closures.

I thank you for holding this hearing and look forward to learning from Mr. Stein, Mr. Dempsey, and Mr. Silver whether we in South Carolina can expect to obtain relief under these programs, or their programs, which would be comparable to the extent of job losses and adverse economic impact we will suffer in South Carolina.

Thank you so much.

Mr. WISE. I thank the gentleman.

I turn to the gentlewoman from the State of Washington, Ms. Dunn.

Ms. DUNN. Thank you, Mr. Chairman.

As a member of a delegation from a State that has not been hit by base closure list decisions this time, we continue to watch with a wary eye knowing that 1995 will be coming along. And so I'll listen with great interest to your testimony today.

Thank you.

Mr. WISE. Thank you.

The gentlewoman from Missouri, Ms. Danner.

Ms. DANNER. As a member whose district is not adversely impacted by the closing of so many military bases, I would simply say to my colleagues and those present that those of us who represent rural constituencies took our hits, so to speak, in the 1980s and we survived, and I'm sure that those of you who represent districts which are having a difficult time at present will find that there is

indeed hope and light at the end of the tunnel, and they too will survive.

Thank you, Mr. Chairman.

Mr. WISE. Thank you.

I turn to the gentleman from Arkansas, Mr. Hutchinson.

Mr. HUTCHINSON. Thank you, Mr. Chairman.

I think one of the crowning achievements of the 1980's was the buildup of our national defense, and with that, the accompanying disintegration of the Soviet Union and the end of the Cold War. And with that, we have naturally seen a great reduction in our armed services, and that is understood.

However, I think that what was once called the new world order is in fact a new world of disorder, and it is still a very volatile and dangerous place.

I think that the defense reductions that have been recommended by the President are too drastic, but to the extent that they are implemented by this Congress, there are going to be some very painful times for a lot of communities in a lot of areas of our country. Mine has been hard hit in the past, is being hit somewhat by this most recent round of recommended closures, and so I will listen with interest and with concern as we try to lessen that pain and make that transition as smooth and as economically beneficial as possible.

So we thank you for your appearance today.

Thank you, Mr. Chairman.

Mr. WISE. I thank the gentleman.

I recognize the gentleman from California, Mr. Hamburg.

Mr. HAMBURG. Thank you, Mr. Chairman.

With respect to the comment from my colleague, the distinguished gentle lady from Missouri, Ms. Danner, my only hope on this oncoming—this light at the end of the tunnel is that it's not an oncoming train. And indeed for my district, that is my fear.

Thank you very much, Mr. Chairman, for calling this meeting. I think it's crucial that we addressed this issue of economic adjustment for communities that are affected by the downsizing of the Department of Defense, and I certainly associate my remarks with those of the chairman who stated that this is an age in which downsizing is imminent and appropriate.

I look forward to hearing the testimony from the distinguished representatives of the two departments that are here today.

Mr. Chairman, as you know, the current round of base closures proposed by the Defense Base Closure and Realignment Commission has threatened thousands of jobs in hundreds of communities across our country. Now, in my own district in northern California the slated closure of Mare Island Naval Shipyard could result in the potential loss of about 7,500 civilian jobs over the next couple of years.

According to the Department of Defense documents, the projected potential employment loss in the metropolitan statistical area, the cities of Vallejo, Fairfield, and Napa, is an astounding 11.7 percent of the employment base of the area.

While I'm actively involved in a bipartisan effort to make sure—which is an effort that is composed of the two Senators from our State and the congressional delegation to make sure that Mare Is-

land stays open—it is also my responsibility, of course, to be prepared for every possibility so that I can help my communities to the maximum extent possible.

The experience of other communities across the country adjusting to base closures has been that the sooner plans are developed by these communities for the reuse of a closed facility, the sooner they're able to take advantage of federal economic adjustment assistance programs. According to previous congressional testimony by the Office of Economic Adjustment, over a third of federal assistance to communities affected by base realignments and closures, is attributable to the economic development administration of the Commerce Department.

In the current environment of defense cutbacks, we will have an interest in fully supporting and expanding the EDA's efforts to help communities to adjust.

Mr. Chairman, I thank you for your efforts to consider improvements to the economic adjustment programs of the Federal Government available to communities like mine which are affected so strongly by base closures. I look forward to working with you and with the responsible agencies of the Federal Government to ensure that the maximum Federal assistance is afforded so that we can minimize the adverse impacts of base closures and realignments on our communities.

Thank you very much, Mr. Chairman.

Mr. WISE. I thank the gentleman.

And recognize the gentleman from California, Mr. Baker.

Mr. BAKER. I will be very brief. I am encouraged by the economic development thrust of this hearing but I want to make sure that we include a private sector "flavor" to the debate. Putting kids on the public payroll for three months is not going to be the answer, rather, we should allow business to put up half of the money or initiate a voucher program. This would serve to take us half the way there as the kids would then be guaranteed a job after the three months or at least the employer would be screening the people who would have an opportunity to stay on permanently. I am very encouraged that we are at least looking at an expanding economy and economic growth in the United States.

Thank you very much, Mr. Chairman. I am looking forward to hearing the testimony.

Mr. WISE. Thank you.

And I recognize the gentleman from Georgia, Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

I appreciate your holding this hearing here today. I look forward to hearing from these witnesses. Hopefully they will offer insight into what are the best ways for us to get people that lose their jobs due to base closures back into the work force.

Thank you, sir.

Mr. WISE. I thank the gentleman.

And I recognize the gentleman from California, Mr. Kim.

Mr. KIM. Thank you, Mr. Chairman.

As a freshman, I'm used to speaking for only one minute so I'll make myself very short. [Laughter.]

I understand you have a \$50 million unused from 1991 budget plus an additional \$80 million to be allocated or transferred to EDA. That is a lot of money.

I also understand that to get the permit or application through, it takes usually six months. I think that's a very unacceptable bureaucratic process, to take six months to get an application through. I'd like to hear today that maybe this process will be shortened.

I also have a deep concern that in California we have unemployment rate of more than 9 percent, 9.8 percent to be exact. And I sent a letter to President Clinton to set a moratorium, a delay of the base closings until such time that our unemployment rate, falls to below nine percent. I haven't heard any response yet.

I'd like to also ask the EDA representative today whether EDA has any special specific program for the State of California, particularly as it has such a high unemployment rate as well as is highly impacted by the more than nine base closures.

I hope that the entire \$80 million can be spent on just California alone.

Thank you.

Mr. WISE. I thank the gentleman.

And I recognize the gentleman from Florida, Mr. Mica.

Mr. MICA. Thank you, Mr. Chairman.

I look forward to working with you as we work together to beat our weapons into plow shares.

Thank you.

Mr. WISE. Thank you.

I recognize the gentleman from New York, Mr. Quinn, for any opening remarks.

Mr. QUINN. Thank you, Mr. Chairman.

We're going to begin testimony after all of these opening remarks here. I hope you gentlemen are ready.

Very briefly, I've been told that Jay Leno this week had a comment about this situation. He said that there's a lot of discussion going on this week about the Final Four, and he said I'm not talking about basketball; I'm talking about our military bases.

I think as we approach this with some levity, it is a serious matter and we're very interested to hear from you gentlemen and take back to our constituents.

Thank you, Mr. Chairman.

Mr. WISE. I thank the gentleman for his remarks.

Mr. Barcia will return. He had asked to be able to put some remarks into the record.

I also have prepared statements from Mr. Costello of Illinois and Mr. Blackwell of Pennsylvania.

[Statements referred to follow:]

STATEMENT OF HON. JAMES A. BARCIA

Mr. Chairman, I would like to thank you for your leadership in addressing this problem of critical concern to the nation. I am sure that the information that the witnesses will share with us today will be of great help to those of us who have bases closing in their districts.

If we are to address the economic distress now being faced by American citizens such as those in my 5th District of Michigan, we must act in a timely fashion. The Department of Labor recently announced that our February unemployment rate was 6.8 percent. Although Michigan is now lower than the national average for the first

time in 15 years, a 6.8 percent unemployment rate is not acceptable for my constituents, nor should it be for anyone in this country.

I know that there are many communities facing tremendous hardship due to the pending closure of a military base in their area. The Air Force has predicted that the closure of Wurtsmith Air Force Base in my district, which closes in June of this year, will result in a loss of 50 percent of the population of Oscoda, Michigan. The Air Force economic analysis estimates an unemployment rate of approximately 27 percent after the closure of Wurtsmith and the Michigan Department of Social Services has predicted that by 1995 one-third of the households in Iosco county will be receiving social program assistance due to the loss of jobs in the area.

Yet, it seems that the Air Force is either unwilling, or unable, to address the issues in a timely way. Although I know that the witnesses here today do not represent the Armed Services personnel who are responsible for this situation, it is important to our proceedings that the Secretary is aware that communities such as Oscoda, Michigan, are having enormous difficulty in getting to the point where the valuable assistance of the OEA and the EDA will come into play. What good are these resources after the towns that need them have closed down?

The Department of Defense's Office of Economic Adjustment and the Department of Commerce's Economic Development Administration can help us provide relief. We must have the ability to be proactive in our employment development activities by using the expertise that they have to offer. I look forward to hearing today how these two offices coordinate their activities, and how we might be able to help them do this in the most productive way possible.

Once again, Mr. Chairman, I thank you for your leadership, and I look forward to working closely with you on this critical issue for so many of our nation's communities.

STATEMENT OF HON. JERRY F. COSTELLO

Mr. Chairman, I want to thank you for calling this hearing today to discuss the status of defense conversion assistance and activity of the Office of Economic Adjustment at the Department of Defense and the Economic Development Administration of the Department of Commerce. It is critical that the efforts of these two agencies are coordinated so that the best available assistance is provided to communities affected by the base closure process and the defense drawdown.

I would also like to welcome Mr. Robert Stein, from the Department of Commerce, and Mr. Paul Dempsey, from the Office of Economic Adjustment at the Department of Defense. I look forward to hearing your testimony and insight into these programs so that our nation's communities can be assisted.

Experienced advice from federal agencies is needed so that communities can develop a comprehensive plan for economic adjustment. In addition, information on federal assistance must be readily available to local businesses and elected officials so that economic solutions can be formulated. I hope that through this hearing process, this Subcommittee can begin to examine and clarify these programs to ensure that the goals are carried out effectively.

Again, Mr. Chairman, thank you for your leadership and prompt attention to this issue.

STATEMENT OF HON. LUCIEN E. BLACKWELL

Mr. Chairman, I would like to first thank you for bringing this important matter before this subcommittee. This hearing comes at a time when everyone is seeking answers to some very difficult questions.

Many, like myself, would like to be able to answer the range of questions that are being asked by constituents in our districts concerning information that will help them adjust to unexpected changes in careers and employment due to the base closures.

Hopefully, after today we will gain a better sense of the plans that have been developed by the Economic Development Agency and the Office of Economic Adjustment in assisting communities that have been devastated by the base closures.

While I am thankful that my district has not been directly affected by the closures of the bases in Pennsylvania, some 30,000 jobs in Pennsylvania that are expected to be lost due to the closure of the bases and over 20,000 of the employees live in the Philadelphia area. So as you can see, not only is the revenue base of Philadelphia affected, but there is sound reason for the concern of my constituency.

I would like to thank Mr. Stein and Mr. Dempsey for informing us of the Administration's plans in this regard, and I hope to work closely with the agencies in the coming months as additional plans are developed. Thank you.

Mr. WISE. Our witnesses today are Mr. Robert J. Stein, the Chief of Staff for the Office of the Secretary of Commerce. He'll be making a statement on behalf of Secretary Brown. He is accompanied by Mr. Jonathan Silver, Deputy Chief of Staff.

And, from the Department of Defense, the Director of Economic Adjustment, Mr. Paul J. Dempsey.

Gentlemen, we welcome you. We appreciate your quick response and attendance at this hearing. Your entire written statements will be made a part of the record in their entirety, and I invite you to summarize them any way you wish.

Mr. Stein.

TESTIMONY OF ROBERT J. STEIN, CHIEF OF STAFF, OFFICE OF SECRETARY OF THE COMMERCE, ON BEHALF OF HON. RONALD H. BROWN, ACCOMPANIED BY JONATHAN SILVER, DEPUTY CHIEF OF STAFF; AND PAUL J. DEMPSEY, DIRECTOR, OFFICE OF ECONOMIC ADJUSTMENT, U.S. DEPARTMENT OF DEFENSE

Mr. STEIN. Mr. Chairman, thank you.

The Secretary commends you and the committee for holding this hearing, sends his personal regards to you. I just want to say one word about Mr. Silver.

He has been instrumental in helping us to get organized at the EDA. He came in with us as a management consultant professionally, and has been very helpful in guiding us through the process of looking very hard at the procedures and the processes that EDA is employing.

Mr. Chairman and members of the subcommittee, I'm pleased to be with you on behalf of Secretary Brown to submit this statement for the record on the Economic Development Administrations programs to assist communities in adjusting to cutbacks in defense.

It has been a long 12 years for this subcommittee, and we are grateful for your efforts to keep EDA in place. The Secretary is pleased that EDA is not only included in our budget this year, but forms a critical element in the administration's program to create jobs.

With the end of the Cold War, the Nation faces the challenge of a major defense transition. With the 1988 and 1991 base closure rounds behind us and the 1993 round of base closure recommendations just announced by Secretary Aspin, numerous communities are being forced to confront wrenching changes to the structure of their economies. Added to these are the regional economic impacts of major defense contract cancellation and reductions, significantly hitting the New England States, southern California, St. Louis, and other areas. We can also anticipate similar problems associated with the 1995 round of base closures yet to come.

To meet the challenge, the President has announced a Defense Reinvestment and Conversation Initiative. One part of this initiative proposes to invest in the communities to help them build a bridge between their defense-oriented past and their future for growth. The Department of Commerce will be a key player in this

initiative and will make defense conversion a top priority. While we recognize the importance of EDA's traditional programs, over the next few years, EDA will have an expanded role in the area of defense adjustment, especially in areas that have been hit hardest by the closing of military installations or the loss of contracts that were the economic lifeblood of the area.

But even with the substantial appropriations that are available and those being requested for this effort, the funds are finite. We are not going to be able to remedy every problem, but we will be as creative and responsive as we possibly can.

EDA is adopting a proactive approach to help impacted communities. Those that meet the economic dislocation threshold criteria, essentially a comparison of the job loss attributable to the closing measured against the size and relative strength of the area's employment base, will be eligible for federal assistance. They won't have to come to us. We will go to them. We are also working closely with the Department of Defense Office of Economic Adjustment to accelerate a response to defense closing, including those announced on March 12.

The grant process for communities affected by defense conversion is the same as that for communities affected by natural disasters, plant closures, or other types of sudden economic dislocation. It is a two-step process of community adjustment planning followed by assistance to help implement critical parts of the plan. For base closures, the Department of Defense Office of Economic Adjustment provides the initial federal assistance for the reuse planning process, both through its professional staff and with direct grant assistance to the communities. EDA is a primary Federal resource for grant funding of projects designed to carry out the reuse plans.

Through its various economic development programs, EDA can provide comprehensive assistance to States, units of local government, and recognized multi-county economic development districts and certain not-for-profit organizations that represent redevelopment areas. The President's 1994 budget requests over \$223 million for EDA's regular programs, which include economic development planning grants, technical assistance grants for public works infrastructure, and community economic adjustment assistance grants.

The proposed request includes a significant increase in funds for economic adjustment, over \$52 million; \$33 million of which will be specifically devoted to defense conversion.

All of EDA's regular programs mentioned above may be used to assist communities with defense conversion activities provided program eligibility tests are met. In addition, \$45 million of the \$94 million requested for EDA in the President's economic stimulus proposal will go to the Title IX program. While these funds will be available for quick response projects to respond to recent disasters and to revitalize Los Angeles, they will also be available to assist communities adversely affected by defense closing and procurement cutbacks.

Due to the need for additional funds for economic adjustment activities, Congress previously appropriated additional funds for use under EDA's Title IX Economic Adjustment Program specifically for defense adjustment assistance. Fifty million dollars was trans-

ferred from DOD to EDA in February of 1992, and a second increment of \$80 million, which must be obligated by the end of fiscal year of 1994, was transferred from DOD to EDA last week. As of this date, EDA has invited 39 applications totaling almost \$60 million and approved 18 of them amounting to \$22 million in grants.

With the transfer of the \$80 million and the anticipated funds for 1994 for EDA defense adjustment, EDA has resumed inviting defense adjustment applications. Proposals to carry out adjustment strategies can include such activities as converting military facilities for non-military use, funding related infrastructure improvements, and establishing revolving loan funds to promote the development of a diversified business community by making financial assistance available to local businesses.

Other types of activities EDA can fund include such activities as construction of incubator buildings to house start-up businesses and the extension of technical assistance.

EDA will give priority to innovative proposals, particularly those that effectively link economic recovery with the re-employment of dislocated workers or the commercialization of federal sponsored and other technology.

Working with the Departments of Defense and Labor, the Small Business Administration, and other agencies, Commerce will use the unique flexibility of EDA's programs to identify, and, where possible, fill any gaps that exist in the range of Federal assistance available to defense impacted communities, businesses, and individuals.

To this end, the Congress Department has established a toll-free hot-line number that serves as a central clearinghouse for defense conversion assistance information. The number, 1-800-345-1222, is operated by EDA staff Monday through Friday, from 9 a.m. to 5 p.m., in cooperation with each of the other Federal agencies involved in defense conversion assistance.

EDA screened 226 calls during the first two weeks of operation and provided information either directly or through referral to other appropriate Federal agencies.

We recognize that this concentration of defense conversion activity, together with the recent emergency appropriation to the agency for disaster recovery in Florida, Louisiana, Hawaii, Guam, and Kansas, has altered the traditional agency programmatic balance. The Title IX Economic Adjustment Program is now about as large as the Title Public Works Program, which has previously received a larger share of annual funding. To the extent necessary, the agency will reallocate its internal resources to adjust effectively to the new balance.

We are also proposing an increase of \$3 million in salaries and expenses to strengthen management and to upgrade EDA management information systems.

Finally, the Department has other resources to address problems with the transition. For example, the National Institute of Standards and Technology has been working closely with the Advanced Research Projects Agency at the Department of Defense and other federal agencies on technology development and deployment issues that form an integral part of the president's defense conversion initiative.

We also have a wealth of economic information at the Departments' Economics and Statistics Administration that can be useful. The Census Bureau, for example, has information that can be used to draw economic profiles of the number and type of business establishments located in impacted areas, and the Bureau of Economic Analysis makes forecasts of industry impacts of planned defense spending on a national basis and can also supply basic local economic data, including estimates of personal income, employment, and earnings. The International Trade Administration will also help our new and changing industries by opening additional foreign markets to United States products.

While the challenges are great, the President has outlined a plan that will help ensure the Federal Government does its fair share in helping communities adjust to the post-Cold War economy. The Department of Commerce intends to put our resources to full use to ensure a coordinated federal response that minimizes the impact of defense transitions on our communities.

I thank you.

Mr. WISE. Thank you, Mr. Stein.

I'll ask Mr. Silver whether you had anything to add. I didn't know whether you're testifying formally or not.

Mr. SILVER. Not at this time, Mr. Chairman.

Mr. WISE. Okay, Mr. Dempsey. We look forward to hearing from you.

Mr. DEMPSEY. Thank you, Mr. Chairman.

As I understand it, my written remarks will be entered for the record with your permission.

Mr. WISE. Already done.

Mr. DEMPSEY. I'll try and highlight some of the points that I tried to make in the written testimony.

The first point, of course, is the close working relationship that the Office of Economic Adjustment and the Office of Secretary of Defense has had with the Economic Development Administration and the Department of Commerce for over 30 years. Since 1961 when the office of Economic Adjustment was created in defense by Secretary McNamara, we've worked with close to 500 communities across this country that have been impacted by changes in defense spending decisions—most of those reductions.

EDA has provided more than \$200 million in coordination with the assistance provided by the OEA to these 500 communities. So we have a long time close relationship. As a matter of fact, the \$50 million that was transferred under the 1991 bill that Mr. Stein mentioned, we had a formal memorandum of agreement between the two departments governing the use of those funds, and we had a paper trail that required our concurrence in each use of the EDA funds to confirm that in fact the funds would be used to respond to defense spending reductions.

This time the \$80 million that was appropriated in the 1993 Defense Appropriations Bill was transferred without a formal memorandum of agreement. I was asked whether there would be, could be, would be, close cooperation between the two departments on the use of these funds—even without an MOA, and I answered yes. And, as a matter of fact, the funds were transferred without a formal MOA between the two departments.

How does the defense economic adjustment program work and what are our overall relationships in working with communities that are affected by defense impacts?

Mr. Stein referred to it as a two-step process, that's probably correct. We add a third step, an initial third step, if you will, which is an organizing step. A lot of these spaces are large, they affect a number of political jurisdictions, and getting those jurisdictions together in the form of a base reuse committee is sometimes challenging.

So the three steps that we go through are organizing, planning, implementing, and OEA has a direct involvement in the first two steps. I can elaborate on that a bit.

When a base is announced for closure or a significant contractor cutback is announced, I assign a project manager to work with the localities affected by the DOD caused action. We encourage and require a local organization to be formed that represents all the jurisdictions affected. We support that local organization with our grant and aid program, which currently has a \$30 million appropriation for fiscal year 1993. The grant can support staff to make the organization operate efficiently.

That local organization is charged with the responsibility in the base closure situation of articulating or crafting a base reuse plan. For example, determining how the 28,000 acres at Fort Ord in Monterey County could be used to achieve the overall goal of the program, to generate replacement jobs and economic activity. To support the crafting of that plan, we provide on average two to three hundred thousand dollars a year to that local organization for three to five years as they go through the planning process.

Once they've crafted a comprehensive response to the problem, then we turn to the 23 members of what is called the President's Economic Adjustment Committee, which is chartered under an Executive Order that was last updated on January 15th of last year.

EDA, as was noted before, is the most active member of the President's Economic Adjustment Committee and has provided more resources to communities to execute or implement their base reuse plans than any of the other Federal departments or agencies.

But there are 22 other members in addition to the Department of Commerce and all of the resources of those agencies and departments are brought to bear to assist the community to implement the plan and generate replacement jobs and economic activity.

Our current project portfolio—I'd like to say that we're a cyclical business and our business is busy right now—consists of about 72 community organizations that we are working with; 38 of them are responding to the closure of the round one and round two bases; all 38 have established local reuse organizations; 13 have completed and adopted a community-based reuse plan; 11 more will be finished by year's end.

I should note here that, although we've been working with communities since 1988 that are impacted by base closures, to date, only six installations have actually closed the sixth, Myrtle Beach Air Force Base in South Carolina, closed just yesterday—noon yesterday. To say only six bases have actually closed may be misleading; five of the six have closed within the last ninety days.

So the advantage we have in this part of our business, the base closure adjustment business, is that you have a fairly long lead time from announcement to closure, enough time to work with the organization to articulate a plan and identify the resources to carry out that plan.

What have been the results of the program over the years?

We have a publication called "Civilian Reuse of Former Military Installations." We've tracked 100 installations that have closed since 1961, and used the indicator of employment to measure success or failure, if you will. At these 100 bases that have closed since 1961, there were 93,000 jobs in the aggregate, 93,000 jobs that were at those installations when they were announced for closure. And the last time we surveyed these same installations in 1990, there were 158,000 jobs, civilian jobs. That's a little better than one and a half to one job replacement ratio. I think, in part, the reason for that success has been the close working relationship between OEA and the EDA.

When we talked to communities in the 1990s about the results of base closures in the 1960's and 1970's, it doesn't necessarily resonate very well. The 1990's are very different from 1960's and 1970's, they say, but at the six bases that have closed since the first, Pease Air Force Base in New Hampshire, closed on March 31st of 1991, the preliminary indications are that these bases have provided a form of significant job generating purposes—even in a national economy that has not been generating a lot of jobs. And in a lot of subnational regional economies, that perhaps aren't even performing as well as a national economy.

At Pease Air Force Base—the only one that really has had some time since it closed—there are more than a thousand civilian jobs at what is now called the Pease International Trade Port. It has some nine firms located on the base who, as I said, are employing more than one thousand people. Similarly with some of the bases that closed on the 15th of December of last year. There are significant numbers of firms lined up to locate on the base. At England, for example, there are three firms on the base with several hundred jobs and nine more firms lined up to get on the base once the facilities are appropriate for their location.

So in a preliminary way at least, base closures in the 1990s do hold some promise for being able to be addressed with the defense economic adjustment program model.

I guess I'll conclude my highlighting of the written testimony with a couple of observations:

I think, first and foremost, is that we're just beginning to see the community impacts resulting from base closures. Most of the closures that were announced in 1988 will occur next year and the year after that. So most of the adjustment challenge in terms of generating replacement jobs is still ahead of us.

In addition, it seems to me, that of those communities that still have bases, we also are interested in working with them, to some extent. There is going to be a round of closures in 1995 and even with this most recently announced round of base closures, only some 15 percent of our base structure within United States, is scheduled to be closed or realigned. At the same time, however, we're bringing down our military forces by a full 30 percent. So

there's likely to be a large number of additional bases that are redundant to the needs of the Department of Defense.

I make those two observations just because it seems to me that the challenge really is still in front of us. We've been working for a number of years with communities in helping them determine how they'd like to use this surplus real property for job generating purposes. We look forward to working with the Economic Development Administration channeling the funds for the regular Title IX program into the execution of these base reuse plans and the generation of jobs in a diverse local community's economy.

With that, I conclude my remarks, Mr. Chairman.

Mr. WISE. I thank the gentleman.

I'm going to ask the committee to observe the five minute rule, if I can figure out this technology. Let's see, okay, green light is on; I've got five minutes.

Help walk me through it if both or all three of you would. As I understand it, and please don't hesitate to jump in at the first point I deviate from truth, as I understand it, if a community is threatened by a base closing, then, Mr. Dempsey, it's your operation that is first involved.

Is that correct?

Mr. DEMPSEY. That is correct.

Mr. WISE. Do you go to the community or does the community contact you?

Mr. DEMPSEY. We provide the community with information about the defense economic adjustment program, and if they request us to come, we will go.

Mr. WISE. And am I correct then in those early days, months, you are providing in some ways organizational assistance in that you assign a project manager but you're also providing funds for basic planning and consulting.

Is that correct?

Mr. DEMPSEY. That is correct. We provide funds to the organization to hire staff, and we also provide funds to the organization to hire technical expertise, acquire the services of technical experts in aviation, industrial development, those sorts of things, so that they can arrange alternative uses and the organization can come to some sort of consensus as to the preferred use of that installation.

Mr. WISE. How many project managers are there in your office to work with these communities?

Mr. DEMPSEY. Currently, we have 20 project managers and we're in the process of adding another 15.

Mr. WISE. The question I have then for Mr. Stein and Mr. Silver is as this process moves along, EDA seems to be involved in what I would call the second step, implementing some of what comes out of the planning. But I'm confused because while I see in the first grants that have been given, revolving loan fund, for instance, in one area, certain infrastructure improvement in other areas, I also see a number of grants for strategy.

Does EDA also supply planning grants as well?

Mr. STEIN. We take OEA's lead, but we do provide some supplemental funds for some planning. Perhaps, no more than ten percent or so of our money overall is spent in the planning phase, but we do provide some supplemental funds for that.

Mr. WISE. Is this something that was signed off by OEA? Do you all review what EDA is awarding?

Mr. DEMPSEY. Actually, if you looked at all of our portfolio, it's every variation from OEA first, to EDA first, to OEA and EDA jointly funding, for example, the aerospace task force in Los Angeles.

I think part of that was because as recently as 1990, OEA's program budget to assist communities was only a million three. So we had limited resources, and EDA was very helpful in shouldering some of the financial burden of supporting the planning phase. Our budget has increased from a million three in 1990 to \$30 million in 1993, so we feel we now have adequate resources to support the organizing and planning phases of the process and would look to EDA to use its resources more exclusively, let's say, on the implementation of the plans.

Mr. WISE. I see. In terms of OEA, what kind of staff would you presently have in numbers? How many people do you presently have working?

Mr. DEMPSEY. A total of 30, 20 of which are project managers, and I'm trying to add 15 additional project managers.

Mr. WISE. Okay, Mr. Stein, one of the concerns has been the matter of time to consider applications, and, certainly, it looks to me that you're getting an increased work load. You've also just been—you received \$50 million, or EDA received \$50 million recently, and then has just received another \$80 million plus what's coming—I believe what's coming in the stimulus package.

My question would be that's at least \$130 million. What efforts is EDA making to be able to expedite that, to do quality reviews, and at the same time though, to meet the needs of the communities?

Mr. STEIN. We are approaching it on two tracks. One is the field and the second is central office processing.

There's actually a third track, which is management. We are bringing in a new management team. Our DAS, deputy assistant secretary, has been approved and we hope to get him in very soon, and we're hoping to get approval on the assistant secretary for EDA soon as well.

But on the field and processing fronts, we are enhancing the training for our economic development representatives. We're bringing them in, retraining them, and bolstering their ability to be responsive.

Secondly, we are adding EDRs in order to deal specifically with defense conversion.

Finally, we are increasing EDR outreach in particular places. For example, in California we have beefed up the number of EDRs. The Denver regional office is responsible for California and is holding workshops for community members so that they can begin the planning process and participate in defense conversion funding.

In terms of the home office and the processing function, we have a task force that's looking at the paper flow and how to streamline it. We have in the office of the secretary a final review process, known as the FARB, and we are instituting methods of shortening that process. We have a task force internally that's looking at the various bureaus within the department and how we can integrate

them—actually, how we can rationalize the various functions that exist within the department other than EDA. We've got monies in EDA, in NIST, and, as I mentioned earlier, in MBDA, and in—

Mr. WISE. Would you do the subcommittee a favor and spell out those acronyms.

Mr. STEIN. I'm sorry, Minority Business Development Administration and in the Economic and Statistics Administration, so we're looking at how to coordinate those functions better.

Finally, we are participating in the interagency working group that is being coordinated by the National Economic Council at the White House, and they are going to be coming up very shortly with a white paper on how all federal agencies can coordinate most effectively.

There are a number of steps being taken as we speak, all of which should come together in the next 30 to 60 days, and we're quite confident that whatever improvements can be made to both streamline the process and to shorten the period of time for processing applications will be made by that time.

Mr. WISE. Thank you very much.

I have a lot of other questions but my time has expired, and I turn to the ranking member, Ms. Molinari.

Ms. MOLINARI. Thank you, Mr. Chairman.

If you could—I'm a little confused by the process because it was my understanding that before EDA or OEA could implement their base reuse plan, these facilities go to HUD for a 60-day determination.

Is that correct or incorrect?

Mr. DEMPSEY. Pursuant to the McKinney Act, there is a provision for homeless providers to have access at an early stage to some of the facilities as long as the Department of Housing and Urban Development certifies those facilities as suitable for housing for the homeless. That's kind of a sideboard sort of process and would only take a small part of most facilities.

Ms. MOLINARI. Unless perhaps you might be representing a facility from New York City.

Mr. DEMPSEY. From the metropolitan area. [Laughter.]

Ms. MOLINARI. At one point in that process though does that come in or has that not been determined? Are they allowed to come in at any point? Are they not given priority status under the McKinney Act, is my question, I guess?

Mr. DEMPSEY. As a matter of fact, they are given priority status under the McKinney Act. That part actually is handled by the military departments that are the disposal agents for the facility. The Department of the Navy would be the disposal agent for the home port if in fact it were decided to be closed. They go through a formal screening process that is governed by the 1949 Real Property Act, but the homeless providers do have a priority access to those facilities.

What we try to do to handle that situation is to encourage homeless providers in the area to participate in the organization and then when you develop a reuse plan, incorporate some portion of it as housing for the homeless.

Ms. MOLINARI. That is why, I have tremendous concerns despite all the wonderful and laudatory statements that have been said by

all of you today, echoed by our chairman, initiated by our president. It causes me great concern when one of the first things I heard the HUD Secretary [Henry Cisneros] say is that he'd be keeping quite an eye on all the military facilities for use of the homeless. I don't mean to sound in any way, shape, or form unsympathetic towards the plight of the homeless. However, when we talk about the effects that just a base closure has on a community, the double hit can have the effect of basically padlocking that community and any chances for economic development or hopes for that community for the future.

The point of the bill, that I know you have not had an opportunity to respond to, that I've introduced is to allow the economics of the situation to intervene first. By classifying something as an enterprise zone or a redevelopment area, the Department of Commerce and HUD—but under a different jurisdiction—would be able to take first crack. So I could at least have that supplement in there.

I would like to ask you both to go back and review the bill and also forward the bill to the National Economic Council for consideration prior to their white paper, that would be of great assistance to me.

Thank you, Mr. Chairman.

Mr. WISE. Ms. Molinari, you can't quit early. I don't know how to reset this thing. [Laughter.]

I think we've just restarted.

But anyway, I turn to the gentleman from California, full committee chairman, Mr. Mineta, for any questions he might have.

Mr. MINETA. I'm sorry, Mr. Chairman. I really don't have any. I'm just going through the statements of our witnesses, and I'll withhold until the proper time.

Mr. WISE. I turn to the gentleman from California, Mr. Kim.

Mr. KIM. Thank you, Mr. Chairman.

I do have a couple of questions for both of you. By the way, I don't know much about this EDA and OEA so you've got to bear with me.

I'm hearing about this money, \$50 million from previous years and \$80 million. How much is it all together, \$130 million? Is that what it is to set aside to help this committee?

Mr. STEIN. A hundred and thirty million has come to EDA from the Department of Defense. In addition to that, we can allocate some of our core allocation for defense closure purposes—

Mr. KIM. How much is that?

Mr. STEIN. Well, it's probably about \$20 million in 1993 and 1994 from the regular core operations, and in addition to that, there's approximately \$15 million in the supplemental and in fiscal year 1994, there's another \$33 million specifically allocated for defense conversion.

So if you add all of that up, I believe you get somewhere in the neighborhood of \$180 to \$200 million.

Mr. KIM. My next question is about your management costs and administrative costs. Does that come from this budget or do you have a separate budget for that?

Mr. STEIN. The additional administrative funds?

Mr. KIM. Right.

Mr. DEMPSEY. I don't know whether that is actually being allocated from the base or not.

Mr. SILVER. It's separate.

Mr. STEIN. It's a separate line.

Mr. KIM. When you assign the project manager to each base closure assignment, what formula do you use? How do you know which base should get how much money and also do you assign one project manager per base or a multiple of them? What formula do you use because I'm just curious?

Mr. DEMPSEY. We have assigned one project manager to every closure realignment action that constitutes a direct and significant adverse consequence on the area economy, which are most base closures or major realignments.

Do we assign one project manager? The bulk of the work in terms of determining what to do about the problem is done by a community organization.

Mr. KIM. How do you divide the money? Which base gets how much money? How do you decide that?

Mr. DEMPSEY. We in the Department of Defense, the Office of Economic Adjustment, provide enough funds for them to determine what they want to do with that asset for job generating purposes. And, as I indicated, for large bases it is two to three hundred thousand a year for three to five years, the average costs. That's to determine what to do about the problem. That's the planning phase.

The higher cost phase is the phase that we look to the Economic Development Administration and the other parts of the federal government i.e. the Federal Aviation Administration, to underwrite.

Mr. KIM. Just another small question. I understand this application is 29, 39 applicants all together asking for \$60 million, and I understand 18 of them are already processed for the amount of \$22 million? From day of application until you process this thing, how long does it take usually?

Mr. STEIN. It has been taking in the neighborhood of six months.

Mr. KIM. In the neighborhood of six months?

Mr. STEIN. Yes. Let me say that in the two months since we have been there, we have approved about \$7 million, \$7.5 million of grants and there is \$60 million in the pipeline. These are applications that have come in and are waiting for approval. We have every reason to believe that over these next number of months through this fiscal year that \$35 to \$40 million will be approved of the \$60 million that currently is in our hands now. It's possible that even more could be, but we are quite confident of \$35 to \$40 million.

Mr. SILVER. I might add these applications do not come in "cold". EDRs have been actively working with the local planning constituencies and communities to develop these proposals, so, at the Department level, it's essentially a review and clearing process rather than a full review of an application.

Mr. KIM. I want to go back to the same question again. I'm not clear I got an answer.

When you divide the money, this pop \$80 million, and give that money to each base that's affected by closure, let's say, I understand you fund this money to organizations to hire either staff or processing this loan application.

Again, what formula do you use? How do you divide this money, looking at size of base, or number of employees to be laid off, or unemployment rate of that State, regional economy? How do you do that? I still didn't get that answer clearly. How do you divide this money?

Mr. STEIN. I think it's important to understand that we respond to the requests that come in. We don't go out and make an independent determination on our own. We assist the communities in building their plan, but it's their plan. It's very much their plan, and they come in, and it's matched roughly 50 percent by the community. The community puts in 50 percent and we put in 50 percent.

So they have gone through a fairly intensive and rigorous community process of evaluation based on many of the factors you mentioned, and then they come in with a specific implementation plan—it might be an infrastructure component, it might be creating an incubator, it might be retrofitting an existing building, or building a new building, it might be a revolving loan fund. There is a wide variety of mechanisms that we could fund, but we are in the posture of being responsive to what the community wants and needs based on its assessment.

Mr. KIM. So, you sort of react to applications coming in from the community.

Let me ask one more question because my time is getting up. Suppose you got more applications than you have. How do you prioritize? Suppose you only have 200 million; but applications come in asking for 400 million. Which one is high priority? Who decides that?

Mr. STEIN. EDA will have to decide. We will have to make a determination about which ones will be funded and which ones not.

Mr. KIM. But the EDA decides on what basis? What formula do you use, that was my question. How do you decide it?

Mr. SILVER. Congressman, if I could—

Mr. KIM. Is there some politics or—

[Laughter.]

Mr. KIM. I'm sorry, I don't mean that. But I want to know. How do you decide that?

Mr. SILVER. If I could elaborate on Mr. Stein's original comment; I think there's an important distinction to be drawn.

We do not allocate funds to bases. We allocate funds to projects and there could well be more than one project associated with any given base closing and community effort. It is quite likely that the number of project applications submitted will exceed EDA's budget. We try to fund—through a variety of different mechanisms that Mr. Stein referred to—those projects which provide the greatest job creation impacts and ease the transition impacts to the fullest extent possible.

We are actively soliciting proposals from communities where base closings are likely to occur now in anticipation of exactly the issue you've raised.

Mr. KIM. Thank you, Mr. Chairman, even though I'm not clearly satisfied with the answer, but my time is up.

Thank you.

Mr. WISE. I thank the gentleman. If we have a chance, we'll be back around again.

I turn to the gentleman from South Carolina, Mr. Clyburn, for any questions.

Mr. CLYBURN. Thank you, Mr. Chairman.

Mr. Dempsey, I am interested in some time frames here. If my memory serves me well, the Myrtle Beach Air Force Base was in the second round?

Mr. DEMPSEY. Correct.

Mr. CLYBURN. Which was 1991?

Mr. DEMPSEY. 1991, right.

Mr. CLYBURN. And yesterday at noon they closed down. So that means that somewhere between eighteen months and twenty four months a close down could take place.

So am I to gather from that then that the recent pronouncements concerning the facilities down in Charleston affecting better than 17,000 jobs, if everything goes according to what has been proposed, we could expect somewhere in September the clock to start running on a two-year cycle?

Mr. DEMPSEY. You're talking about two very different services, very different approaches so I don't know that you could necessarily relate the two.

The Department of the Air Force, as a matter of fact, has pursued an accelerated pace of closing its facilities. The Department of the Navy and the Department of the Army have not, so I don't know—I certainly can get you the proposed closure date for the Charleston facilities. That information is available. I do not have it here though.

Mr. CLYBURN. Well, I would like to have that if that's possible. If he could get that to the subcommittee—

Mr. DEMPSEY. I'd be happy to provide it to the committee, yes.

Mr. CLYBURN. Thank you so much.

Let me ask further now, if we are then to expect that the clock will start running in September, would your office be the first one on the scene as of the moment the Congress decides whether or not to go along. If the Congress decides to go along with everything, the clock starts running and you would be first on the scene?

Mr. DEMPSEY. That is correct, Congressman.

Mr. CLYBURN. Okay. At that time, you will assign a program manager to the Charleston facility.

Mr. DEMPSEY. At that time if not before, yes.

Mr. CLYBURN. Then we will expect a program manager in Charleston then, one program manager making decisions on 21.4 percent of the adverse impact on this round of closures?

Mr. DEMPSEY. Well, you raise a good point, Congressman, that because of the nature of the recommendations, particularly the Department of the Navy recommendations, there are some concentrations of events in certain geographic areas—more than one facility being closed.

Mr. CLYBURN. Absolutely, so then you are saying—

Mr. DEMPSEY. There may very well be places like the Bay area of California, or Charleston, or Philadelphia, which has a number of events occurring in the same general area will be assigned a team—more than one person to work with the community.

Mr. CLYBURN. Now is that a policy or this is something you are surmising at this point?

Mr. DEMPSEY. This is something that we're actively considering at this point in time.

Mr. CLYBURN. Okay, I would like for this subcommittee to also entertain that information when you get to it because I'm very concerned about whether or not we're going to have one person working down in Charleston with these 17,000 plus jobs and one person in another area with 700 jobs.

Mr. DEMPSEY. We would provide as much staff support as is necessary to do the job. I think I can say that with some certainty.

Mr. WISE. Would the gentleman yield so I could follow up on a question, which is when you say you provide staff support, Mr. Dempsey, are you talking about from your agency or would this be contracted? I mean, I'm concerned because I see 20 project managers for an increasing number of projects. You've said you were going to bring another 15 on.

Now, you've got yourself a herculean job. He's got 17,000 people plus 700 that he's concerned about, so where does the staff support come?

Mr. DEMPSEY. Well, we are—as I indicated—we are in the process of bringing another 15 project managers on, and if you look at the numbers, there are some of these bases that we've been working with that are going to be closing and we would not have as intensive an activity with them as we had at the start. We've done some analysis, and it looks like we would be able to provide adequate support.

The variable, of course, is whether we put a team working with a location that has a number of events occurring in it rather than just one project manager.

Your observation, Mr. Chairman, is correct, however, that the local group that's put together may very well have to have more staff support because it's a larger local group looking at a much more pervasive defense-caused problem.

So to some extent, there's some elasticity there, as well, in terms of our grants support commitment to hire more staff, more than the one or two that is normally hired. So there's some opportunity, as I say, to support local organizations more intensively with staff where there are multiple defense-caused dislocations. There's also the opportunity, if needed, to devote more than one staff person as a project manager for places like the Charleston area.

I'd like to add, if I could, Mr. Congressman, last time around typically we provided information about our program the date of announcement, which was April 12 last time, and didn't really get involved in meeting with local officials until after the base closure commission had completed its analysis and made its recommendations to the president on July 1. And we didn't provide any grant assistance until the president had made its recommendations to the Congress and the 45 legislative days had elapsed.

This time the leadership and the department has indicated that if there is interest on the part of the community to pursue even on a contingency basis a bona fide effort to look at reuse opportunities, that we could pursue it even now. That does not preclude a community from pursuing its save the base effort, but if there is local in-

terest and a request for support from us to pursue developing a base reuse committee and having that base reuse committee begin even now looking at reuse options, we can and will support it.

Mr. CLYBURN. Thank you, Mr. Chairman. I do have some other questions, but I will respect the five minute rule.

Mr. WISE. I appreciate that. I would also invite members—some of the questions may be a bit technical or can't be handled in the context of the five minute rule or subsequent five minute allotments—I would invite you to prepare any questions in writing, which I will happily submit to the witnesses and ask for a timely reply because—particularly the two Members who have just gone, Mr. Clyburn and Mr. Kim, both face very severe situations in their districts and obviously are very concerned, as are many of the other members on the subcommittee.

I recognize the gentleman from New York, Mr. Boehlert.

Mr. BOEHLERT. Thank you very much.

Mr. Stein, in your statement, just one observation, you talk about it's been a long 12 years for this subcommittee. That's a well-deserved shot at the last two administrations that tried to zero out EDA, but I hope it's a recognition that EDA enjoys bipartisan support in this subcommittee, and in the full committee, and in the Congress. I want to keep that very much in your mind.

Secondly, Mr. Dempsey, let me ask you this:

Your talk and your examples all pertain to closures. What experience have you had with major realignments? I would submit to you, for example, that a major realignment could result in the loss of 500,000 on a base that is continuing and closure could result in the loss of 300 jobs.

Do you have any experience with root major realignments?

Mr. DEMPSEY. Yes, we're working with a place like Leesville, Louisiana where Fort Polk is and they are losing a total of 500,000 personnel, as a matter of fact.

The major difference obviously is that you don't have the DOD asset to use as the basis for trying to rebuild your economy and generate replacement jobs.

Mr. BOEHLERT. But you are working with communities that have major realignments?

Mr. DEMPSEY. We are. The answer is "Yes."

Mr. BOEHLERT. And, secondly, to follow up on Chairman Wise's commentary on when you get involved, the list that's currently in the marketplace before the base closing commission has 43 major installations, 122 less than major installations.

Have you had contact with all of those communities, your office had contact with all of those communities?

Mr. DEMPSEY. My office has mailed an information packet to all of the jurisdictions surrounding those installations, yes, sir.

Mr. BOEHLERT. Well, that would be, for example, the county government, would it be, or the city government? How do you do it or do you do it with the State? I want to figure out who you contact?

Mr. DEMPSEY. I actually could provide the committee with a list, if you'd like. It's all of the substate jurisdictions, all of the cities, and the county governments surrounding those installation.

Mr. BOEHLERT. All right, so it's not just the State?

Mr. DEMPSEY. It is not just the State, no.

Mr. BOEHLERT. That's a pretty comprehensive package telling what's available from your office?

Mr. DEMPSEY. It is a comprehensive package describing—

Mr. BOEHLERT. And so have there been yet on this current list that have come to you and asked for immediate assistance?

Mr. DEMPSEY. Yes, I was—and this is a unique situation I recognize—but I was down last Wednesday in Homestead South Dade County, and we are pursuing right now a reuse plan for a base that used to exist—

Mr. BOEHLERT. That's a different situation, so let's stay off—

Mr. DEMPSEY. But they are fighting the decision just at the same time. We are not working with any other installations on the list of recommended—

Mr. BOEHLERT. But are you prepared to do so?

Mr. DEMPSEY. We are prepared to do so, yes, sir.

Mr. BOEHLERT. All right, for example, I have a—it won't surprise you to learn that I have a base that's on that list, Griffins Air Force Base. It's projected to be a major realignment, not a closure. And I would assume that if we contact you, you'd be prepared immediately to provide some assistance?

Mr. DEMPSEY. We would be happy to do so, yes. That is a major realignment, yes.

Mr. BOEHLERT. All right, now the other thing I'm very much concerned about is coordination. I want to deal with a very sensitive subject and that's environmental liability.

Is there any dialogue between the individual services and your office as the list of bases to be closed or realigned is prepared to discuss the question of environmental liability? Now, as you're thinking about your response to that, let me point this out:

There are some bases that you could walk away from without having a major environmental liability. There are other bases that you have a long-term and very costly liability. If you close that installation, you cannot turn it over to anybody else. Nobody else really wants it yet with that incurring major environmental liability.

Is there any consultation with your office, any individual services on that?

Mr. DEMPSEY. The military departments are liable for cleaning up all contamination at bases both—

Mr. BOEHLERT. Oh, I understand that and they can't walk away from that.

Mr. DEMPSEY [continuing]. Both those that are closing and obviously those that they occupy, and there is a Defense Environmental Restoration Account that is being used to underwrite the cost for the restoration of bases that we're going to keep, and, obviously, we have to clean up any base before any of the property is disposed of.

Mr. BOEHLERT. Well, what I'm getting at, and I hope you can follow this, Mr. Dempsey, is—and it's sort of an esoteric approach—but if the U.S. government, which happens to be unfortunately one of the major polluters in America and the Department of Defense, if there is a long-term environmental liability, obviously you can't walk away from that liability.

So if you close the installation, you still have to proceed with a very costly and time-consuming clean up. If you retain the installation under the DOD banner, you can continue the employment all the things that are going on. But if you close it, the jobs not only are lost, but the prospect of replacing those jobs is very dim because of the significant environmental liability even though the Federal Government is going to pay for the clean up.

Mr. DEMPSEY. I think I understand what you're question is, sir.

There are eight criteria that are used in determining which bases to recommend for closure. The first four are the dominant ones and those are military value, but there is an environmental criterion as well and that is looked at by the military departments in compiling their recommendations.

I'd be happy to try and get back to you with a more complete answer on how much of a variable the clean up cost is in the consideration process.

Mr. BOEHLERT. I would appreciate that, and this has nothing to do with partisanship, but I've learned from long experience that when the Department of Defense and the individual services want to do something, they always overestimate the savings and underestimate the cost.

And when they don't want to do something, it is just the reverse, and I would submit to you it would be prudent public policy to have your office very much involved in dealing with the individual services before that list is finalized because I take the President at face value.

And, further, so you'll know my credentials, I was one of three Republicans who voted for the economic stimulus program because I want to keep America working, and it's really disheartening for this member to think in terms of the United States government being one of the biggest disemployers of people in America today.

Mr. DEMPSEY. I'd be happy to try and get back to you, sir.

Mr. BOEHLERT. Thank you so much.

Mr. WISE. The Chair notes the gentleman's contributions in past votes, and, yes, it's probably true that in the next authorization the EDA regional office could be located I think in a section of New York certainly as EDA expands its operations. [Laughter.]

I recognize the gentleman from Michigan, Mr. Barcia, for any statements or questions he might have.

Mr. BARCIA. Thank you very much, Mr. Chairman.

I apologize for my tardiness. I was meeting with members of the Coast Guard relative to a situation existing in the 5th District, and so was not present when the other members were making their opening statements but would like to share my thoughts relative to the issues before the subcommittee this afternoon and begin by saying, Mr. Chairman, that I would like to thank you for your leadership in addressing this problem of critical concern to the nation.

I am sure that information that the witnesses will share with us today will be of great help to those of us who have bases closing in our districts.

If we are to address the economic distress now being faced by America citizens such as those in my 5th District of Michigan, we must act in a timely fashion. The Department of Labor recently announced that our February unemployment rate was 6.8 percent. Al-

though Michigan is now lower than the national average for the first time in 15 years, a 6.8 percent unemployment rate is not acceptable for my constituents, nor should it be for anyone in this country.

I know that there are many communities facing tremendous hardship due to the pending closure of a military base in their area. The Air Force has predicted that the closure of Wurtsmith Air Force Base in my district, which closes in June of this year, will result in the loss of 50 percent of the population of Oscoda, Michigan. The Air Force economic analysis estimates an unemployment rate of approximately 27 percent after the closure of Wurtsmith and the Michigan Department of Social Services has predicted that by 1995 one-third of the households in Iosco County will be receiving social program assistance due to the loss of jobs in the area.

Yet, it seems that the Air Force is either unwilling or unable to address the issues in a timely way. Although I know that the witnesses here today do not represent the Armed Services personnel who are responsible for this situation, it is important to our proceedings that the Secretary of Defense is aware that communities such as Oscoda, Michigan, are having enormous difficulty in getting to the point where the valuable assistance of the OEA and the EDA will come into play. What good are these resources after the towns that need them have closed down?

The Department of Defense's Office of Economic Adjustment and the Department of Commerce's Economic Development Administration can help us provide relief. We must have the ability to be proactive in our employment development activities by using the expertise that they have to offer.

I look forward to hearing today how these two offices coordinate their activities and how we might be able to help them do this in the most productive way possible.

Once again, Mr. Chairman, I want to thank you for your leadership, and I look forward to working closely with you on this critical issue for so many of our nation's communities.

I would just like to offer in the way of a final statement that my office has been working with the Secretary of Defense, Les Aspin, and officials within the Air Force Department to attempt to resolve these conflicts with our local community.

And to speak to the last distinguished gentleman's remarks, again Oscoda is one of those bases which has a considerable environmental contamination problem, and we've so far met firm resistance from the Department of the Air Force in acknowledging that any private sector use of the base and its facilities will involve some type of waiver of responsibility for a clean up cost of the contamination that has occurred at the base; and, certainly, not for future contamination but for the contamination that's already been identified. We've had tremendous difficulty in getting past that issue as well as several others involving contracts with private sector corporations, private corporations, that would be very interested in using some of those facilities.

I apologize for not being able to listen to all the testimony, but I know that the individuals who are here speaking to our committee today share the concern and that's why you're here.

Thank you very much, Mr. Chairman, for allowing me to make the statement and express my concern on behalf of my constituents in the 5th District.

Mr. WISE. Well, it's very important, and I might add that I come from a district where only yesterday the EPA for the first time in my recollection fined the Army \$2 million for failure to clean up a site that they had been working on for ten years. Don't worry, Mr. Dempsey, it was connected with this, although it was a situation where 20 something years ago, no more than that, the Army deeded to an economic development authority some property where they had been producing TNT and then said, here, you guys, you'll love it. And then had to come back a number of years later to do the clean up.

Clean up is obviously not a subject particularly of this committee, although Superfund is and it's something that has to be revisited because as the gentleman from New York, Mr. Boehlert, noted one of the country's largest polluters in that regard is the Department of Defense and the Federal Government, not just DOD.

I turn to the distinguished gentleman, Mr. Mica.

Mr. MICA. Thank you, Mr. Chairman.

Mr. Stein, a couple of quick questions. I guess you started out with a \$50 million pot in 1991. You funded—is it 15 projects or 15 grants?

Mr. STEIN. I believe 18.

Mr. MICA. Eighteen?

Mr. STEIN. Yes.

Mr. MICA. For a total of?

Mr. STEIN. Twenty two million dollars.

Mr. MICA. Twenty two million dollars. The recipients of these, have they been public and private or just limited to one, or what's the—

Mr. STEIN. It's mixed. I might—

Mr. MICA. What's the ratio?

Mr. STEIN. I don't know that. I can get that to you. I'd be happy to get that to you, but I might add that the Department of Commerce did not receive the \$50 million until February of 1992, so we've been operating for about one year with the funds.

Mr. MICA. And how many people directly work on these projects as far as administering the projects?

Mr. STEIN. I'm not sure I understand the question. How many people—

Mr. MICA. How many people in your agency, in the Department of Commerce, directly work on these projects or is it just funded and then no one worked on it, or were there one or two people?

Mr. STEIN. There are about 350 full-time career employees at the Economic Development Administration of whom about 47 are representatives out in the field in addition to which there are seven regional offices which are fully staffed.

Mr. MICA. So do we have any way of allocating the cost of administering the grants? Is that broken down in any fashion? I mean, is it costing us \$24 million to administer \$24 million in grants?

Mr. STEIN. No, let me explain that EDA has a base of about \$220 million and we're doing a lot of public assistance work and other projects—

Mr. MICA. Beyond this, right?

Mr. STEIN. Yes, so your question is—

Mr. MICA. How much does it cost to administer the—do you have any cost accounting system to look at what it's going to cost in the future and where's the money going to the private or public sector?

Mr. STEIN. I will get back to you on that question.

Mr. MICA. Okay. So when we develop the budgets in the future, when we see how you're spending this, we'll know exactly how much it costs to administer that, how many people are involved.

You said you're hiring project managers for the future in addition to the employees? Did I hear that brought up for future projects?

Mr. DEMPSEY. I think, Congressman, the Office of Economic Adjustment in the Department of Defense is in the process of hiring 15 project managers, yes.

Mr. MICA. Now, will they be assigned to these base closures working with the Department of Commerce is it separate? So is there cost on both sides for administration?

Mr. DEMPSEY. There's some cost, administrative overhead cost for the funds that we administer, and that runs about \$2.5 million annually for the Office of Economic Adjustment.

Mr. MICA. Is that \$2.5 million going into—

Mr. DEMPSEY. It has to do with the Office of Economic Adjustment.

Mr. MICA. So that's in addition to the administration. Just for this project or for other projects?

Mr. DEMPSEY. For the entire national program.

Mr. MICA. Well, that would be this project then or beyond?

Mr. SILVER. In answer to your question, Congressman, there are separate and distinct administrative costs for the two programs within the Economic Development Administration. Administrative costs for all of EDA's programs run about \$27 million or 10 percent of the total operating budget but it is important to remember that these administrative costs are spread over a variety of programs, including public works and infrastructure programs, revolving loan funds and the like.

Mr. MICA. Well, just for the future, I'd like to see how you're going to allocate the funds, how much the administrative costs are, how the monies are going to be spent, how much it costs us per grant, how it's administered, what kind of oversight is involved, so we get the biggest bang for the buck.

And then the other thing I think that's important, we need to know from a congressional standpoint is it more efficient to give this money to local governments or direct grants to the private sector as you develop a track record, and I think you will have very shortly a track record—the most effective way to accomplish what we all want to do here.

Thank you.

Mr. STEIN. Thank you.

Mr. WISE. I thank the gentleman.

And the gentleman from New York, Mr. Nadler.

Mr. NADLER. Thank you, Mr. Chairman.

Mr. Stein, my district does not have a military base that's going to close but it's adjacent to a district that does, the home port in Staten Island.

Now, I'm concerned about a secondary impact. We have shipyards in the district, which will be losing business that the Navy sends their way because of ships based at the home port. And in fact one shipyard has just filed for Chapter 11.

So my question is do any of these programs that you have to alleviate the economic impact on communities of base closings apply to companies or facilities or districts for secondary effects, for the loss of contracts for ship repairs because of the loss of the base rather than for the loss of the base itself directly?

Mr. STEIN. We have funded and we will continue to fund communities that are hurt as a result of cutbacks that occur as a result of the base closings. So, yes, revolving loan funds, incubators, there are a variety of methodologies to use to soften the impact in those instances.

Mr. NADLER. And are they the same methodologies that you use for base closings?

Mr. STEIN. They can be, yes.

Mr. NADLER. And the same eligibility standards or—

Mr. STEIN. Yes, well, except when we make a grant pursuant to a reuse plan, we go in and do an infrastructure grant or a construction grant—

Mr. NADLER. That's different.

Mr. STEIN [continuing]. Yes, which is different. But in terms of supporting local businesses and dealing with employment problems, there are a variety of methods to do that.

Mr. NADLER. Thank you.

My second and last question—I'm not sure you're the right people from the administration to ask this but since you're here I will ask it, and you might direct me to the right people or have a comment.

Is the administration considering some suggestions that have been made in the past in the Congress to include in military appropriations, or rather in military contracts, in contracts for production of items for sale to the military, a requirement that a certain amount, a certain percentage, of the funds used for planning reuse of the assembly lines or whatever or adaptability of the assembly lines for the day when that contract will end so that when you build up a facility to manufacture an F-15 or whatever, you're not left with facility that's totally useless once the contract for F-15's ends?

Mr. DEMPSEY. I think the short answer is no, Congressman. It's been a short effort in the Department of Defense obviously to reduce costs in its procurement process and there are no plans for any sort of half a percent or one percent set aside that could be devoted to planning should the contract end and the contractor no longer provide employment.

We now have in the Office of Economic Adjustment in the Department of Defense—

Mr. NADLER. I'm sorry, we now what?

Mr. DEMPSEY. We in the Office of Economic Adjustment in the Department of Defense do have resources, regular annually appropriated resources, to work with communities so that they can in fact develop adjustment strategies or plans in response to contractor cutback.

Mr. NADLER. But you don't think it might be a good idea to plan them up front knowing that no contract lasts forever.

Mr. DEMPSEY. We can respond in anticipation of the contract termination. I do think it's fair to say that some of the plans and some of the adjustment strategies that are developed well in advance of the layoffs have to be updated when it gets closer to the time in which the new jobs have to be generated.

Mr. NADLER. Well, obviously, updating is required.

Wouldn't it be the case, if you were designing a plant to build something, that you might design it initially somewhat differently if you were required to consider that the contract was going to end at some point, and that you should design it in such a way so that when that day comes, you have more adaptability built into it?

Mr. DEMPSEY. Yes, sir.

Mr. NADLER. And might it not be a good idea to require that, especially in a time of general downsizing, which is probably going to go on for quite a while in the military?

Mr. DEMPSEY. Yes, sir.

Mr. NADLER. So you would consider that, perhaps?

Mr. DEMPSEY. Pardon me?

Mr. NADLER. So you would consider that, perhaps, then?

Mr. DEMPSEY. It is not an area in which I have any real say, sir. We administer an adjustment program. I could direct your question to the procurement side of the Department of Defense.

Mr. NADLER. I wish you would, and ask for some sort of response.

Mr. DEMPSEY. I'd be happy to do so.

Mr. WISE. I thank the gentleman from New York, and turn to the gentleman from New Jersey for any questions he might have, Mr. Menendez.

Mr. MENENDEZ. No questions, thank you.

Mr. WISE. I turn to the gentleman from California, Mr. Hamburg.

Mr. HAMBURG. Thank you, Mr. Chairman.

We want to very sincerely thank the panelists today. Mr. Dempsey, you have already been helpful to me when you did your meeting a couple of weeks ago. We had a chance to talk a little bit about Mare Island Naval Shipyard.

I know that there have been some successes that have been documented by your office in conversion of facilities. I was wondering, in the case of a naval shipyard like Mare Island, if there has been any positive experience in cases with a facility of that type that you can point to and that can give me some heart and hopefully give some heart to my constituents.

Mr. DEMPSEY. There are some significant examples of shipyard reuse on the East Coast, Boston Naval Shipyard, for example, and I would be happy to provide you with a write-up on those, what has transpired and what the results have been.

Mr. HAMBURG. That would be helpful.

One of my big concerns—well, first of all, I want to associate myself with the comments of the gentleman from New York, Mr. Boehlert, who spoke about the EDA and the long 12 years. I also am very glad that you're still around, and I'm also glad that as a

Nation we're turning to some of these conversion activities. I've been an advocate of these kinds of activities for a long time.

But I do have a real concern about what I see as a mismatch between the resources that you gentlemen represent and the job there is to do out there. I know all of us have been following, through the paper or C-Span or whatever, the recent hearings of the Armed Services Committee. It's very sobering to me that even in this era—we have a new administration, presumably with a new attitude about Defense spending; we're in a post-Cold War era; we're talking a lot about downsizing, but you look at the kinds of dollars that we're discussing today. And I agree with Congressman Mica that we have to be very careful about how we spend all our Government dollars and the ratio of administration to dollars actually getting out in the community, and so on.

But I look at the dollars we're talking about here. I've stacked them up against a proposal of \$3.8 billion next year for SDI; \$1.2 billion for the Trident II missile; \$1.7 billion for the B-2 bomber; and I could go on and on and on. And I really have to ask myself, how serious are we about conversion? These numbers are so totally out of proportion.

But I guess my question is, Mr. Stein, in terms of these funds, I'm going to be scratching for them for my base, and I know that Representatives from all over the country are going to be scratching for them. What comments would you have about the adequacy of the funding level, given the need?

Mr. STEIN. Well, frankly, Congressman, we share your concern about the magnitude of the job and the finite nature of the funds that are available.

Our commitment is to do the best that can be done with the funds that are available. It is a leveraged program to begin with. Our goal is to re-establish the business base of the community so as to create jobs and economic growth. That's what this program is all about.

So when we go in there with project funding, we are looking at a plan that includes not just public investment, which is really the leveraged money, but private investment as well. And many of these communities and the plans that we have seen to date and the earlier experiences and the experiences from the 1970's suggest that if it is done well, we really can jump start activity that over a period of time regenerates the community in ways that are very, very helpful.

So while I despair given the enormity of the job, I am optimistic about our ability where we can go in and when we can fund a project to really have tangible results.

Mr. HAMBURG. Thank you, Mr. Stein. I really wouldn't expect you to say anything different though considering the fact that this is your agency, and I admire your agency and have long admired the work of EDA. But I think we've got a real serious mismatch here.

Thank you.

Mr. WISE. I have some follow up questions. I just want to follow up on something Mr. Hamburg said.

Mr. Stein, once this thing hits and people find out exactly how their community is going to be impacted, you're going to need the

equivalent of a political shark cage. You know, where you put the diver in the cage and then drop him down and then hopefully the sharks can't get in at him? Well, that's what you're going to need I think as people come at you—communities, representatives in Congress on both sides of the aisle, everyone trying to get at those sources of funds to do that planning that's so necessary.

And my concern is the administration has asked in the stimulus package for additional funds, and, of course, the \$80 million was just transferred. But I think that there's probably going to have to be more allocated but I think it's going to have to be done over a credible period of time to make sure that we've got some quality control there as well as the adequate funding.

Let me just ask a few quick questions. I'm trying to pull some things together.

We talked about base closing and we talked about realignment.

Mr. Dempsey, am I correct in understanding the process is the same for where there is a significant plant shutdown, a plant that has been building fighter planes is shut down, is that the same process?

Mr. DEMPSEY. The process is the same, Mr. Chairman, the thresholds are different. We have different job loss thresholds for contractor cutbacks.

Mr. WISE. Do you automatically trigger when you see a certain threshold as far as contacting the community and—company X announces they have to close down, 2,000 jobs lost, and you trigger?

Mr. DEMPSEY. Automatically, yes, sir.

Mr. WISE. I think it's important also, and you touched on this, Mr. Stein, evaluation of efforts. For instance, you have a number of grants that were made, just recently, some close to 20. Is there a process by which they will be tracked to determine how effective that money is or whether it's accomplishing anything—that's question one, and question two is really to the extent that there's an effort that can go back and look at previous efforts over the past four or five years?

Mr. STEIN. To my dismay, Congressman, one of the consequences of the last 12 years has been to deplete virtually every dime of evaluation money in the department at large. We are intent upon building an evaluative capacity beginning with this program, but extending into all of the programs in the Department of Commerce. It is critical.

Mr. WISE. Along that line, I've noticed several positive case studies in testimony and in articles recently in the newspaper, but is there some sort of study either GAO, or your Department of Commerce, or EDA that looks at what the realities are? Yes, it may be that 2,000 jobs were lost in the defense closing and maybe they're now 3,000 jobs where that base was.

But if we went from \$10 an hour jobs to \$5 an hour jobs so that there's a lot less payroll in the community, we've got to be honest with ourselves on that.

Is there any kind of analysis that has been done that way, either Mr. Dempsey, or Mr. Stein, or Mr. Silver?

Mr. DEMPSEY. We had a preliminary study, and we're following it up with an analysis of the wage rates at these locations. We'd be happy to provide it to the Committee as soon as it's completed.

Mr. WISE. When do you anticipate that happening?

Mr. DEMPSEY. I would say late Summer.

Mr. WISE. And we, the Committee, would greatly appreciate that. And what about from the EDA standpoint, Mr. Stein?

Mr. STEIN. As I say, we intend to be instituting those evaluations as well. I don't know—I don't have a target date, but we hope by the summer we're going to have our team in place and enhanced capability.

If I may, Mr. Chairman, I'd like to respond to your opening comment.

In addition to using these funds to leverage private sector dollars out in the community, we now all are working together through the interagency process, to see how we can leverage other public dollars into the mix for the various communities. So there is some prospect that we will be able, over the course of this year, to combine grants in places that are hardest hit in regions of the country that really are going to be desperately in need of conversion activity.

Mr. WISE. My last question was on quality control, and you really dealt with that some and expressed a need for it. I think that's going to be very important for the credibility of this effort.

In closing, and Ms. Molinari has some questions, I believe. Let me check and see whether anyone else has. Do you have any other questions? I'm going to hold off, and let me turn to Ms. Molinari.

Ms. MOLINARI. Thank you, just one quick question.

Mr. Dempsey, how do you define local organization. At a point in your testimony where you talk about getting together with the affected community, who defines that?

Mr. DEMPSEY. It really is a community-based process and the community defines its own local organization. We have very few rules in our program, and one of them is that there be only one local organization and that it has to represent at least each of the significantly affected jurisdictions.

Ms. MOLINARI. Could you run that by me again? Maybe it's been a long day. [Laughter.]

Mr. DEMPSEY. By and large, we sit down with the obvious local leaders in the area and encourage them to come together in some sort of—create some sort of organization that represents each of the political jurisdictions, each of the cities, counties, that are affected.

Ms. MOLINARI. Do you include members of Congress?

Mr. DEMPSEY. Members of Congress have been chairpersons of our committees, as a matter of fact, Congresswoman. Mr. Mineta was chairperson of the Fort Reeves Group in Monterey County, as a matter of fact, and—

Ms. MOLINARI. And is it just elected officials or business groups, chambers of commerce?

Mr. DEMPSEY. They tend to be fairly large organizations, public and private sector leaders, but the shape is really dictated by the local dynamics, as a matter of fact.

Ms. MOLINARI. Okay, I appreciate that, thank you.

Mr. WISE. The gentleman from South Carolina.

Mr. CLYBURN. Yes, Mr. Chairman, before you close, I would like Mr. Stein to answer a question for me or someone make a comment.

I notice in your testimony you indicated that EDA will give priority to quote, "innovative programs," unquote.

Now, my problem with that is that's fine for EDA's programs in a broad sense, but is that a good way to give priorities to programs relating to base closure?

Mr. STEIN. When we talk about innovative programs, Congressman, we are talking about some tried and tested methods of economic stimulus, community stimulus, which is business development, and business expansion, and job creation. And what we have found is that programs, such as incubators, and revolving loan funds, and ways of reusing bases, reconstituting them, some might refer to as creative, others see as the fundamental ways of building the economic capability of the community.

So we don't mean to suggest by the use of that word that we are doing anything other than the fundamental bread and butter activity that is going to establish business activity in that community.

Mr. CLYBURN. Anything that's tried and tested or anything that's proven, I feel very comfortable with. I'm very uncomfortable with innovative programs. It's such a subjective term, and those of us down there in South Carolina who aren't used to having good precedence up here in the bureaucracy of Washington take a very dim view of innovative programs.

So I just want you to know that I've got a real problem with that. Thank you.

Thank you, Mr. Chairman.

Mr. WISE. I was going to say hopefully today's innovation can be tomorrow's tried and true. [Laughter.]

Mr. CLYBURN. I hope so, but let's wait until after we get beyond this base closure. [Laughter.]

Mr. WISE. There's nothing quite as traditional as that.

The gentleman from New York, Mr. Boehlert.

Mr. BOEHLERT. Thank you, Mr. Chairman.

Mr. Stein, you and I share a common objective, we both want EDA to work. I can't say that for all the colleagues on this committee, as you can detect by some of the questioning.

I have a suggestion for you to take into consideration as you're formulating with the new administration plans for carrying your EDA missions forward, and the suggestion is that you give more authority to your regional offices. You have some very able professionals, you're going to determine who has those slots, but the process right now is rather lengthy, it's rather cumbersome. I would think that if you give more authority to the regional administrators, you're going to determine who's in those slots that would better serve your program because when the bleeding occurs, you want to put the tourniquet on right away. If we can get that money out as fast as possible—I want the thorough review, obviously, and I don't want it just given out in a lick and a promise.

But I do think the regional offices, if you could do it that way, give them more authority would better serve your overall objective.

And, secondly, do we have one EDR per State? Is that the way it is right now with an EDR?

Mr. STEIN. Approximately.

Mr. BOEHLERT. Yes, and, boy, at the risk of sounding like someone who wants to build up a bigger government, let me suggest that—for example, in New York State you have one EDR. I think that's a pretty awesome responsibility, and if you do have, and we hope—Ms. Molinari and I hope—that we won't have the home port problem in Staten Island or the Griffin's problem in Rome. But if we do, you might give consideration to having a second EDR appointed for a State like New York with the designation of that person to work exclusively on this conversion program because you want it to succeed and so do we.

Mr. STEIN. Congressman, we are looking at redeployment of our EDRs, and I might also add on your first question that we are looking at how to decentralize some of the functions and activities.

Mr. BOEHLERT. That's very good, and I'll work with you on that. Thank you very much.

Mr. WISE. I thank the Committee and certainly thank the panel, Mr. Stein, Mr. Dempsey, and Mr. Silver.

In closing, let me just observe that I think you've got, as has been noted here, incredible challenges ahead; that you have several combinations of forces that have suddenly converged.

One is a very rapidly escalating demand for your services. In the context of decisions, it's put into place with the first base closing commission and now the subsequent decisions.

The second is a demand for timeliness. We've got to get this thing turned around quickly, we've got communities that desperately need to start that planning or get infrastructure going, need to be able to make the decision that affects their destiny.

But thirdly, of course, coming along with this is the demand for quality control; that we do with limited funds, and as Mr. Stein noted, finite funds, we do it right.

And so it's going to be a challenge to you as you embark on this, and, certainly, I think as you—within EDA as you receive additional funds and additional responsibilities.

This committee is committed to working with you, and we look forward, Mr. Stein and Mr. Silver particularly, as the EDA reauthorization moves along. Mr. Dempsey, we look forward to working with you because that coordination is so crucial.

So as we move forward—we want to keep working with you, we need to hear from you, how you think the process can be improved legislatively, what the financial needs are to see how those can be met, but, finally, how we can all work together to make sure that these services are delivered.

I think you heard from the panel today, from those here, subcommittee members, the great concern, anxiety, commitment to making a very painful process work. And so thank you very much for the time you've given us to help us understand the process as you're implementing it, and we look forward to working with you in the future.

Mr. WISE. At this point, I declare the hearing adjourned.

[Whereupon, at 4:35 p.m., the subcommittee was adjourned, to reconvene subject to the call of the Chair.]

PREPARED STATEMENTS OF WITNESSES

STATEMENT BY PAUL J. DEMPSEY, DIRECTOR, OFFICE OF ECONOMIC ADJUSTMENT,
U.S. DEPARTMENT OF DEFENSE

Mr. Chairman, Subcommittee Members: Good Afternoon. I am Paul Dempsey, the Director of the Office of Economic Adjustment (OEA), within the Department of Defense (DoD). Thank you for the opportunity to testify here today.

I am pleased to discuss the roles and relationships of my office, the Department of Commerce's Economic Development Administration (EDA), and our program for helping communities affected by base closures, realignments, and reductions in defense employment.

OEA and EDA have worked jointly on defense-related problems ever since EDA was created in 1965. The relationship has always been cooperative and complementary. I can personally attest to this—prior to joining OEA three years ago, I worked for EDA for 15 years in the Title IX program.

In the early years, Presidential Memoranda formalized DoD's relationship with EDA and the other Federal Agencies that helped defense-impacted communities. In 1978, it was institutionalized by Executive Order as the Economic Adjustment Committee (EAC).

EDA's track record is certainly worth noting. Since 1965, it has invested approximately \$205 million in defense-impacted communities. In 100 communities surveyed in 1990, non-defense jobs more than replaced the loss of former DoD civilian jobs; specifically, 158,000 new jobs replaced 93,000 lost defense jobs. We, in DoD, believe this could not have been accomplished without EDA.

With regard to the economic adjustment program—simply stated, it is a community based, "bottom-up" process, tailored to local needs. It has three distinct, sequential phases: organization, planning, and implementation.

Typically, my office is responsible for the organization and planning phases; the work is then transitioned to EDA and other EAC agencies for implementation. However, the EAC members, EDA in particular, are involved from the outset; to include, on occasions, joint funding of community organizations and planning requirements.

Allow me to elaborate. I will use base closures as the example—although the model applies to defense industry adjustment as well. The first step in the process is the establishment or identification of a local organization—a task force, steering council, authority—whose principal role is to coordinate the community's economic development efforts. Such organizations usually number a dozen or so persons, with subcommittees for functional areas, an executive board, and small professional staff. OEA funds the salaries and operating expenses of that staff.

Next is the planning phase. The community organization, I just described, will direct and oversee the development of a base reuse plan. This plan will address in some detail the alternative ways in which the facility can be reused. Normally, it will depict five or six areas of the base for such uses as industry, housing, education, open space, and if appropriate, airfield and airfield support operations. Here again, OEA's resources are used to cover the costs of the plan.

When the plan is adopted and the base is near closure, communities move to the final step—implementation, or job creation. At this point, the property disposal programs and financial resources of Federal and State Agencies are critical to the recovery process. The task is mainly one of filling up the broad reuse plan elements with specific business or other activities. EDA's resources are particularly important because they enable the community to undertake the public improvements needed to attract private investment.

Last year, when DoD transferred the \$50 million to EDA, this three-phased approach proved successful in helping communities that had major employment layoffs because of reductions in defense spending. EDA was able to commit the funding quickly because community organizations were put in place, economic adjustment strategies were developed, and the strategies were ready for implementation when the money was available. About \$40 million of the \$50 million is expected to help these communities.

It is important to point out that since only Pease Air Force Base in Portsmouth, New Hampshire, had closed at the time the \$50 million was available, it was the only location that was eligible for and actually received funds for on-base improvements. Of the \$11.3 million provided for base closure capital projects, \$8.1 million was for off-base requirements and \$3.2 million was a grant for improvements to the former Pease Air Force Base.

Presently, we are working with 72 communities that are adjusting to defense downsizing. Of these, 38 are dealing with major base closures announced in 1988

or 1991. All 38 have established local organization, 13 have completed and adopted base reuse plans; 11 more will be finished by year's end. Furthermore, 13 bases are closing this fiscal year, and another 11 bases will close in fiscal year 94.

In almost every instance, the community will turn to EDA for financial assistance to help implement its plan. Therefore, unlike the \$50 million, I expect that a substantial portion of the \$80 million recently given to EDA will be needed for base closures.

I am pleased to report that preliminary indications are that economic recovery is happening, and more quickly than might have been anticipated. For example:

Pease Air Force Base closed in March 1991—today, more than 1,000 people are employed there.

Chase Field in Beeville, Texas, closed in February 1993—1,300 new jobs will locate there within one year.

England Air Force Base in Alexandria, Louisiana, closed in December 1992—a major international trucking firm established a driver training school on the base; future plans include a maintenance facility.

Norton Air Force Base in San Bernardino County, California, will not close until March 1994 but already there are 600 jobs on the base.

This is consistent with past results of the Defense Economic Adjustment Program, i.e., jobs are replaced on a better than one-to-one ratio.

I hope this helps you to understand what we do and how it relates to EDA's mission. Be assured that we will continue to work together and to complement each other's efforts. EDA's Regional Directors and Economic Development Representatives devote considerable time to the defense impacted communities. I talk with the Director of EDA's Title IX program almost daily, and our staffs are in frequent communication on project-related matters.

In closing, may I say that we sincerely appreciate EDA's support and the dedication of its staff.

I will be pleased to answer any questions you may have.

(Presented by Robert J. Stein, Chief of Staff, Office of the Secretary of Commerce)

STATEMENT OF THE HONORABLE RONALD H. BROWN, SECRETARY OF COMMERCE

Mr. Chairman and Members of the Subcommittee, I am pleased to submit this statement for the record on the Economic Development Administration's (EDA) programs to assist communities in adjusting to cutbacks in defense. It has been a long 12 years for this Subcommittee, and we are grateful for your efforts to keep EDA in place. I am pleased EDA is not only included in our budget this year, but forms a critical element in the Administration's program to create jobs.

With the end of the Cold War, the Nation faces the challenge of a major defense transition. With the 1988 and 1991 base closure rounds behind us and the 1993 round of base closure recommendations just announced by Secretary Aspin, numerous communities are being forced to confront wrenching changes to the structure of their economies. Added to these are the regional economic impacts of major defense contract cancellations and reductions, significantly hitting the New England states, Southern California, St Louis and other areas. We can also anticipate similar problems associated with the 1995 round of base closures yet to come.

To meet the challenge, the President has announced a Defense Reinvestment and Conversion Initiative. One part of this initiative proposes to invest in the communities to help them build a bridge between their defense-oriented past and their future of growth. The Department of Commerce will be a key player in this initiative and will make defense conversion a top priority. While we recognize the importance of EDA's traditional programs, over the next few years EDA will have an expanded role in the area of defense adjustment, especially in areas that have been hit hardest by the closing of military installations or the loss of military contracts that were the economic lifeblood of the area.

But even with the substantial appropriations that are available and those being requested for this effort, the funds are finite. We are not going to be able to remedy every problem, but we will be as creative and responsive as we can.

EDA is adopting a proactive approach to help impacted communities. Those that meet the economic dislocation threshold criteria—essentially a comparison of the job loss attributable to the closing measured against the size and relative strength of the area's employment base—will be eligible for Federal assistance. They won't have to come to us—we will go to them. We are also working closely with the Department of Defense Office of Economic Adjustment to accelerate a response to defense closings, including those announced March 12th.

The grant process for communities affected by defense conversion is the same as that for communities affected by natural disasters, plant closures or other types of sudden economic dislocations. It is a two-step process of community adjustment planning, followed by assistance to help implement critical parts of the plan. For base closures, the Department of Defense, Office of Economic Adjustment provides the initial Federal assistance for the reuse planning process, both through its professional staff and with direct grant assistance to the communities. EDA is a primary Federal resource for grant funding of projects designed to carry out the reuse plans.

Through its various economic development programs, EDA can provide comprehensive assistance to states, units of local government, and recognized multi-county economic development districts and certain not-for-profit organizations that represent redevelopment areas. The President's 1994 Budget requests over \$223 million for EDA's regular programs, which include economic development planning grants, technical assistance, grants for public works infrastructure, and community economic adjustment assistance grants. The proposed request includes a significant increase in funds for economic adjustment, over \$52 million, \$33 million of which will be specifically devoted to defense conversion. All of EDA's regular programs mentioned above may be used to assist communities with defense conversion activities, provided that the appropriate program eligibility tests are met. In addition, \$45 million of the \$94 million requested for EDA in the President's Economic Stimulus Proposal will go to the Title IX Program. While these funds will be available for quick response projects to respond to recent disasters and to revitalize Los Angeles, they will also be available to assist communities adversely affected by defense closings and procurement cutbacks.

Due to the need for additional funds for economic adjustment activities, Congress previously appropriated additional funds for use under EDA's Title IX Economic Adjustment Program specifically for defense adjustment assistance. \$50 million was transferred from DoD to EDA in February of 1992, and a second increment of \$80 million, which must be obligated by the end of FY 1994, was transferred from DoD to EDA last week. As of this date, EDA has invited thirty-nine applications totalling almost \$60 million, and approved 18 of them amounting to \$22 million in grants.

With the transfer of the \$80 million and the anticipated funds for FY 1994 for EDA defense adjustment activities, EDA has resumed inviting defense adjustment applications. Proposals to carry out adjustment strategies can include such activities as converting military facilities for non-military use, funding related infrastructure improvements, and establishing revolving loan funds to promote the development of a diversified business community by making financial assistance available to local businesses. Other types of activities EDA can fund include such activities as construction of "incubator buildings" to house start-up businesses and the extension of technical assistance. EDA will give priority to innovative proposals, particularly those that effectively link economic recovery with the reemployment of dislocated workers or the commercialization of Federally sponsored and other technology.

Working with the Departments of Defense and Labor, the Small Business Administration and other agencies, Commerce will use the unique flexibility of EDA's programs to identify and, where possible, fill any gaps that exist in the range of Federal assistance available to defense impacted communities, businesses and individuals. To this end the Commerce Department has established a toll free hot-line number that serves as a central clearinghouse for defense conversion assistance information. The number—1-800-345-1222 (219-8949 in Washington, DC)—is operated by EDA staff, Monday through Friday from 9:00 AM to 5:00 PM, in cooperation with each of the other Federal agencies involved in defense conversion assistance programs. EDA screened 226 calls during the first two weeks of operation and provided information either directly or through referral to another appropriate Federal agency.

We recognize that this concentration of defense conversion activity, together with the recent emergency appropriation to the Agency for disaster recovery in Florida, Louisiana, Hawaii, Guam and Kansas, has altered the traditional agency programmatic balance. The Title IX Economic Adjustment Program is now about as large as the Title I Public Works Program, which has previously received the largest share of annual funding. To the extent necessary, the agency will reallocate its internal resources to adjust effectively to the new balance. We are also proposing an increase of \$3 million in salaries and expenses to strengthen management and to upgrade EDA management information systems.

Finally, the Department has other resources to address problems associated with the transition. For example, the National Institute of Standards and Technology (NIST) has been working closely with the Advanced Research Projects Agency (formerly DARPA) and other federal agencies on technology development and deployment issues that form an integral part of the President's defense conversion initia-

tive. We also have a wealth of economic information at the Department's Economics and Statistics Administration that can be useful. The Census Bureau, for example, has information that can be used to draw economic profiles of the number and type of business establishments located in impacted areas, and the Bureau of Economic Analysis makes forecasts of industry impacts of planned defense spending on a national basis and can also supply basic local economic data, including estimates of personal income and employment and earnings. The International Trade Administration will also help our new and changing industries by opening additional foreign markets to U.S. products.

While the challenges are great, the President has outlined a plan that will help ensure the Federal Government does its fair share in helping communities to adjust to the post-Cold War economy. The Department of Commerce intends to put our resources to full use to ensure a coordinated Federal response that minimizes the impact of defense transition on our communities.

Thank you.

QUESTION FOR MR. DEMPSEY SUBMITTED FOR THE RECORD BY MR. BOEHLERT

Question. Is there any coordination on environmental issues between your office and the services in making recommendations for base closure? This would seem to be a particularly important issue because of the extensive environmental liability issues that are attached to the most egregiously polluted bases. If such a base were closed, it would be very difficult to attract private firms to move onto the base because of ambiguities regarding their liability. In contrast, another base, perhaps lacking serious pollution problems, might be a better candidate for closure simply because it would be a more attractive site for alternative economic development. If such analyses are not done, what steps can you take to guarantee private firms that they will be free from legal liability for environmental problem?

Answer. The Department is responsible for cleanup of all contamination resulting from our operations, no matter who owns the land and whether the base should be closed. Both the Appropriations Act of 1993 and the Authorization Act of 1993 contain language for the Department to indemnify future owners and lessees for claims, demands, losses, damages, liens, liabilities, injuries, etc., as a result of DoD activities. The combination of the Department's full responsibility to cleanup DoD-caused contamination, and the future recipient indemnification for damages, etc., clearly protects future owners, lessees, and their agents from legal liability resulting from our operations. However, the inconsistency between the language in the FY93 Appropriations and Authorization Acts requiring DoD to indemnify future recipients of DoD real property for damages caused by the future recipient may create an unnecessarily large financial risk for DoD. We will propose legislative language to correct the differences between the two laws and to provide more reasonable requirements, while at the same time guaranteeing private firms that they will be free from legal liability for any environmental problems caused by DoD.

QUESTIONS FOR MR. STEIN SUBMITTED FOR THE RECORD BY MR. BOEHLERT

Question. Mr. Dempsey made reference in his testimony to the record of success in job creation on closed bases. The statistics he cites are some 93,000 lost defense jobs being replaced by approximately 158,000 new jobs.

a. Mr. Dempsey's oral testimony implied that the figures were for jobs on military bases (or former military bases). Is that accurate? If so, how many of the 158,000 jobs represent truly new employment in the community (as opposed to jobs that had been with firms in the community at the time of closure, but the firms chose to move their work to former bases)?

b. Does the figure of 158,000 represent direct employment or is this including secondary and/or tertiary employment effects?

Answer. The statistical basis for job losses at military bases is Defense closure announcement materials. For jobs gained, the figures are provided by a community point of contact for the closed base. OEA periodically updates this information in its publication, *Civilian Reuse of Former Military Bases*. The new jobs are direct employment on the former base property. We do not know what percentage, if any, are relocations from elsewhere in the community. Most communities have policies that discourage relocations to the former base property, unless a company cannot expand in its current location and the move to the base means more jobs will be created by the company or that the company will not move away.

Question. Of the 72 community organizations that EDA is working with, how many involve communities affected by a base realignment (as opposed to closure)?

How many have completed a community-based development plan? How many do you anticipate will have completed such a plan in the next 12 months? Please provide a list of these community organizations and the main contact person with each organization.

Answer. Of the 72 communities with which OEA is working, nine are affected by realignments. This includes several Army ammunition plants being placed in lay-away status that were not part of BRAC announcements. Of the 38 base closures, 33 bases have reuse plans or the local organization is developing comprehensive reuse plans. Because planning is geared to closure dates, only 18 are complete. By May 1994, 30 plans should be completed. Attached is the list of community contacts.

**COMMUNITY AND OEA STAFF CONTACTS ON MAJOR BASE CLOSURES AND REALIGNMENTS,
APRIL 1993**

Community/State	Base	Key community contact	OEA proj. mgr. unless stated area code=703	BRAC an- nounce date	Clos./real. date
Blytheville, AR	Eaker AFB	Joe Gurley, Blytheville Gosnell Regional Aviation Authority (501) 532-2100.	Helene O'Connor, 697-8464.	91	Dec 1992.
Ft. Chaffee, AR	Fort Chaffee	Strib Boynton (501) 784-2201.	Bryant Monroe, 695- 1802.	91	Sep 1994.
Mesa, AZ	Williams AFB	Lynn Kusy, Coordina- tor, Economic Reuse Program (602) 998-1013.	Kenneth Matskin, 697-0041.	91	Sep 1993.
Long Beach, CA	NS/NH Long Beach ...	Gerald R. Miller, Manager, Eco- nomic Develop- ment Bureau (310) 570-3853.	Bryant Monroe, 695- 1802.	91	Oct 1996.
Merced, CA	Castle AFB	Dick Martin, Execu- tive Director, Cas- tle Joint Powers Authority (209) 357-3370.	Col. Art Cole, 695- 3492.	91	Sep 1995.
Sacramento, CA	Mather AFB	R. Dee Reynolds, SACOM-C (916) 440-5892.	Col. Art Cole, 695- 3492.	88	Sep 1993.
Sacramento, CA	Sacramento Army Depot.	Tim Johnson (City Dept. of Plng. & Devel.) Sac- ramento, (916) 449-1223.	Richard Kinnier, (206) 524-1845.	91	Sep 1997.
San Bernardino, CA	Norton AFB	William Bopf, Direc- tor, Inland Valley Development Agency (714) 885- 4832.	Kenneth Matskin, 597-0041.	88	Mar 1994.
Seaside, Marina, Mon- terey County, CA.	Fort Ord	Joe Cavanaugh, Staff Coordinator, Ft. Ord Task Force (408) 384-0605.	Richard Kinnier, (206) 524-1845.	91	Sep 1996.
Tustin, CA	MCAS Tustin	Christine Shingleton, Assistant City Manager (714) 544-8890.	Capt. Dave Larson, 614-8529.	91	Sep 1997.
Victor Valley, CA	George AFB	Peter D'Erico, Direc- tor, Victor Valley Econ. Dev. Author- ity (619) 246- 6115.	Kenneth Matskin, 697-0041.	88	Dec 1992.
Denver, CO	Lowry AFB	Kay Miller, Lowry Economic Recovery Project (303) 676- 5282.	Col. Art Cole, 695- 3492.	91	Sep 1994.

**COMMUNITY AND OEA STAFF CONTACTS ON MAJOR BASE CLOSURES AND REALIGNMENTS,
APRIL 1993—Continued**

Community/State	Base	Key community contact	OEA proj. mgr. unless stated area code=703	BRAC an- nounce date	Clos./real. date
Pueblo, CO	Pueblo Army Depot ...	Charles Finley, Plan- ning & Develop- ment (719) 546- 6100.	Joan Sigler, 695- 1802.	88	Sep 1995.
Tampa, FL	MacDill AFB	Roger Wehling, Tampa City Plan- ning (813) 223- 8485.	Col. Art Cole, 695- 3492.	91	Mar 1994.
Highland Park & Lake County, IL	Fort Sheridan	Mr. William Barron, Lake County Ad- ministrator (708) 360-6475.	Wallace Bishop, 697- 1412.	88	Jun 1993
Rantoul, IL	Chanute AFB	Ray M. Boudreaux, Reuse Coord., Chanute Redevel- opment Committee (217) 893-1661.	Wallace Bishop, 697- 1412.	88	Sep 1993.
Charleston, IN	Indiana AAP	Robert Braswell, Mayor, Community Focus Committee (812) 256-3422.	Joan Sigler, 695- 1802.	88 partial, 91 layaway	
Indianapolis, IN	Fort Benjamin Har- rison.	Donald Spaid, Direc- tor, Ft. Benjamin Harrison Reuse Comm. (317) 543- 1143.	Bryant Monroe, 695- 1802.	91	Jul 1997.
Madison, IN	Jefferson PG	Bob Grewe JPG Re- gional Develop- ment Board (812) 689-5505.	Col. Art Osgood 614- 4657.	88	Sep 1994.
Peru, IN	Grissom AFB	Richard Blair, Coordi- nator, Grissom Community Red. Auth. (317) 689- 0159.	John Leigh 697-0041	91	Sep 1994.
Lexington, KY	Lexington Depot	Theodore R. Broida, Lexington Depot Redevlpmt. Comm. (606) 266-1751.	Joan Sigler, 695- 1802.	88	Dec 1995.
Alexandria, LA	England AFB	James Holderread, England Industrial Airpark and Com- munity (318) 449- 3504.	Helene O'Connor 697-8464.	91	Dec 1992.
Fort Polk, LA	Fort Polk	T.L. "Sonny" Berry, Jr. (318) 238- 0711.	Bryant Monroe 695- 1802.	91	Sep 1996.
Ayer, Harvard, Shirley, Lancaster, MA.	Fort Devens	Mr. Jeffrey Simon, Ft. Devens Project Of- ficer, Massachu- setts Gov. Land Bank (508) 356- 4669.	Col. Art Osgood, 614-4657.	91	Sep 1995.
Watertown, MA	Army Materials Lab ..	Mark Boyle, Director, Community De- velop. and Plan- ning (617) 972- 6417.	John Leigh 697-0041	88	Sep 1995.

**COMMUNITY AND OEA STAFF CONTACTS ON MAJOR BASE CLOSURES AND REALIGNMENTS,
APRIL 1993—Continued**

Community/State	Base	Key community contact	OEA proj. mgr. unless stated area code=703	BRAC an- nounce date	Clos./real. date
Caribou, ME	Loring AFB	Chuck Connell, Pro- gram Director, Loring Readjust- ment Committee, North. Maine Reg. Planng. Comm. (207) 498-8736.	Patrick O'Brien 697- 3022.	91	Sep 1994.
Oscoda, MI	Wurstmith AFB	Carl Sachs, Director, OEA, Box 69, Oscoda, MI 48750. (517) 739-6999.	Patrick O'Brien, 697- 3022.	91	Jun 1993.
Kansas City, Belton, MO.	Richards-Gebaur Air Reserve Station.	John D. Solomon, Di- rector of Aviation at Richards- Gebaur (816) 243-5207.	Pamela Doyle 614- 4657.	91	Sep 1994.
Portsmouth & Newington, NH.	Pease AFB	George "Skip" Jones, Exec. Dir., Pease Development Au- thority (603) 433- 6250.	David MacKinnon 614-4656.	88	Mar 1991.
Burlington County, NJ .	Fort Dix	Lewis Nagy, Director, Burlington County Econ. Dev. Dept., (609) 265-5055.	Kenneth Matzkin 697-0041.	91	Sep 1994.
Gallup, NM	Fort Wingate	George Galanis, Mayor, Ft. Wingate Redevel. Commis- sion (505) 863- 1223.	Joan Sigler 695-1802	88	Dec 1992.
Brooklyn, NY	NS New York (Brook- lyn).	Barbara Fife, Deputy Mayor (718) 372- 8600.	Capt. Dave Larson 614-8529.	88	Oct 1994.
Franklin County, OH ...	Rickenbacker Air Na- tional Guard Base.	Lawrence D. Garrison, Executive Director, Rickenbacker Port Authority (614) 492-2423.	Pamela Doyle 614- 4657.	91	Sep 1994.
Bucks County, PA	NAWC Warminster	Georgia Masters, Bucks County (215) 348-6430.	Joan Sigler 695-1802	91	Dec 1996.
Philadelphia, PA	NS/NSY Philadelphia	Gerrie Greene, Project Manager, City of Philadelphia (Commerce Dept.) (215) 686-7604.	Joe Cartwright 697- 3022.	91	Sep 1996.
N. Kingstown, RI	Naval CBC Davisville	Marilyn Cohen, Dir./ Planning, N. Kingstown (401) 294-3331.	Helen Hines 695- 3492.	91	Sep 1994.
Myrtle Beach, SC	Myrtle Beach AFB	Cliff Rudd, Coordina- tor, Myrtle Beach Air Base Redevel- opment Commis- sion (803) 238- 0385.	David MacKinnon, 614-4656.	91	Mar 1993
Austin, TX	Bergstrom AFB	Peter Rieck, Manager, Bergstrom Task Force (512) 495- 7541.	John Leigh 697-0041	91	Sep 1993

**COMMUNITY AND OEA STAFF CONTACTS ON MAJOR BASE CLOSURES AND REALIGNMENTS,
APRIL 1993—Continued**

Community/State	Base	Key community contact	OEA proj. mgr. unless stated area code=703	BRAC an- nounce date	Clos./real. date
Beeville, TX	NAS Chase Field	Brad Arvin, Executive Director, Beeville/ Bee County Rede- velopment Council (512) 358-4641.	Wallace Bishop 697- 1412.	91	Sep 1993
Fort Worth, TX	Carswell AFB	Ann Diveley, Asst. Dir. of Econ. De- velopment (817) 871-6130..	Col. Art Cole 695- 3492.	91	Sep 1993
Alexandria, VA	Cameron Station	Sheldon Lynn, Dir. of Planning (703) 838-4666.	Patrick O'Brien 697- 3022.	88	Jun 1995
Seattle, WA	NAVSTA Puget Sound (Sand Point).	Elsie Crossman, City of Seattle Plan- ning Department (206) 684-8056.	Richard Kinnier (206) 524-1845.	88/91	Oct 1995.

Question. Has EDA analyzed what level of economic assistance is necessary to effectively offset the impact of a closure or significant realignment? For example, Los Angeles County, devastated by the defense downsizing, has received only \$6 million with another \$9 million in the pipeline. Does EDA view this as an adequate level of support? What kind of modeling techniques are used by EDA?

Answer. The nature of the defense conversion process does not lend itself to analytical models or cost projection techniques. In each case, the level of support which may be adequate depends on the community's economic adjustment plan and local conditions. EDA defense adjustment projects cannot revitalize areas by themselves. Rather, they are intended to serve as catalysts for the private sector response that will regenerate economic activity and create jobs. This is why the EDA and Department of Defense Office of Economic Adjustment (OEA) programs are designed around a comprehensive community planning process.

EDA projects are developed out of that community planning process (funded by OEA for base closing) and the identification of funding gaps for elements critical to the implementation of those plans. Critical elements may take the form of construction of public works type improvements or business assistance through revolving loan funds or technical assistance.

For example, projects that respond to defense contract reductions, such as many of the Los Angeles area defense adjustment projects, rather than providing constructed infrastructure, are providing critical business development capacity to local governments.

EDA's consideration of an application weighs the effectiveness of the planning process and the likelihood of the project to achieve the goals and objectives of the locally developed plan.

Other questions submitted to EDA by Mr. Boehlert related to matters within the purview of the Department of Defense Office of Economic Adjustment (OEA). Those questions were referred to OEA for OEA's direct response.

Question. For those bases that have closed in the last six months, how many private firms have opened offices or facilities on the former base? Please indicate how many of these firms are new start-ups, how many were preexisting firms located within 25 miles of the base, and how many were preexisting firms located more than 25 miles from the base.

Answer. Five bases have closed in the past six months. One private firm has located at England AFB, and another at NAS Chase Field. Both are expansions of firms located more than 25 miles from these bases.

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